Helping Saskatchewan Grow.

CIC

CROWN INVESTMENTS CORPORATION OF SASKATCHEWAN

Cover: Dennette Hungle, Driver Examiner – SGI , Rajinder Mann, Motor Coach Operator – STC , Mark Rumancik, Service Technician – SaskTel, Norma Berryman, Executive Secretary – CIC, Paul Langen, Table Games Dealer – SaskGaming, Colby Miller, Service Technician – SaskEnergy, Dean Bellegard, Manager, Aboriginal Relations – SaskWater, Chris Kozun, Powerline Technician – SaskPower, Tony Altieri, Building Operator – SOCO

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Letter of Transmittal

Government of Saskatchewan

Regina, Saskatchewan
April 21, 2015

To Her Honour
The Honourable Vaughn Solomon Schofield, S.O.M., S.V.M.,
Lieutenant Governor of Saskatchewan

Madam:

I have the honour to submit herewith the thirty-seventh Annual Report of Crown Investments Corporation of Saskatchewan for the year ended December 31, 2014, in accordance with *The Crown Corporations Act, 1993*. The Consolidated and Separate Financial Statements included in this Annual Report are in the form approved by the Treasury Board and have been reported on by our auditors.

Respectfully submitted,

Don McMorris
Minister of Crown Investments

Minister's Message

Saskatchewan's Crown corporations again met the demands of growth in 2014 by investing in infrastructure while managing in a sometimes challenging business environment.

The Crown Sector Strategic Priorities developed in response to *The Saskatchewan Plan for Growth* have directed the planning and development focus of the Crowns. The challenge is to provide reliable, high-quality services to Saskatchewan people at the lowest possible cost, while remaining financially sustainable and investing in the infrastructure needs of the province.

Saskatchewan continued to grow to a population of 1.13 million, up 1.63 per cent over the previous year. SaskPower added over 11,000 new customers, and SaskEnergy made 7,332 new connections.

SaskTel continued work toward its goal of keeping Saskatchewan one of the most connected provinces. Our province has 98 per cent wireless coverage and the number of communities with highspeed Internet service is constantly being expanded.

The much anticipated Boundary Dam Integrated Carbon Capture and Sequestration (CCS) Project began official commercial operation in October of 2014 and has already exceeded the projected levels of carbon capture. Named one of National Geographic magazine's *10 Energy Breakthroughs of 2014 That Could Change Your Life*, it is the world's first coal-fired commercial power plant equipped with this technology. The project demonstrates the commercial-scale viability of using coal reserves in reliable electricity production.

The growth in our economy has created challenges. In addition to the need for an increased number of utility connections for residential, commercial and industrial customers, aging infrastructure requires upgrading or replacement. Costs of materials are rising, requiring larger dollar investments and, therefore, more debt. An aging workforce combined with a shortage of trained and experienced labour is putting additional pressure on future service delivery.

While addressing these challenges, Crowns were able to keep rates reasonable, with modest rate increases to address higher costs. Saskatchewan maintains the second lowest aggregate cost for telephone, electricity, natural gas heat and auto insurance in Canada.

Crown Investments Corporation met its commitment of a $206 million dividend to the Government of Saskatchewan's General Revenue Fund, which flows funding to ministries and agencies. These dollars provide vital programs and services like health care, education and helping those most vulnerable in our province, as well as building needed infrastructure like schools, hospitals and highways.

One large factor that significantly affects service provision as well as financial performance is weather. The early part of 2014 as well as late December were extremely cold which drove consumption of power and gas to record levels. Power outages were also an issue as ice downed power lines in various areas in the province keeping the crews busy, especially over the holiday season.

Saskatchewan continued to grow to a population of 1.13 million, up 1.63 per cent over the previous year. SaskPower added over 11,000 new customers, and SaskEnergy made 7,332 new connections.

Through this very busy and eventful year, the employees within the Crown corporations worked efficiently and effectively to meet the challenges of a growing economy. I thank them for their innovation and hard work.

In closing, I would especially like to thank Dick Carter, Past President and CEO for his leadership of Crown Investments Corporation since 2010, and would like to wish him well in his retirement. Under his oversight CIC developed and implemented strong policy initiatives for the Crown sector and supervised their implementation. These policies have helped the Crowns manage the challenges and opportunities of the growth of the province.

Don McMorris
Minister of Crown Investments

Acting President's Message

The Crown corporations have had another very busy year as they worked to support Saskatchewan's growth.

Overall the Crowns invested $1.9 billion toward capital, primarily infrastructure, while maintaining strong balance sheets. These expenditures were made without large rate increases through prudent management, including the realization of efficiencies through process improvements, leveraging new technology, and collaboration initiatives. More information can be found on page 5 of this Report.

Consolidated earnings were $163 million which produced a return on equity of 3.5 per cent. The consolidated earnings were $404 million lower than 2013 for a few reasons. SaskEnergy earnings decreased by about $112 million in 2014 primarily due to unfavourable non-cash market value adjustments on natural gas derivatives and inventories. These non-cash losses generally reverse themselves in subsequent periods. Consolidated earnings in 2013 included almost a $212 million gain on the sale of shares, and revaluation of remaining shares, in Information Services Corporation, which was outside normal operations.

Individual Crowns still benchmark well against industry standards with a consolidated debt ratio of 60.1 per cent.

One of the major events of 2014 was the SaskPower Smart Meter Review. SaskPower had purchased and installed thousands of new meters that had the ability to self-report consumption. After eight of the new meters malfunctioned, it was determined that all the meters purchased posed a potential hazard and SaskPower undertook to remove 108,000 installed throughout the province. The review also made recommendations in the areas of procurement and project management, and SaskPower has taken steps to make the necessary changes. Through this process other Crowns are applying some of the learnings to their operations as well.

CIC has also been involved with Priority Saskatchewan, a branch of SaskBuilds which is responsible for ensuring Saskatchewan businesses are treated fairly when bidding on public sector contracts. CIC is participating in the review of cross-government and Crown corporation contract tendering practices to support this mandate.

In 2014 CIC started the process of amalgamating the Capital Pension Plan (CPP) into the Public Employees' Pension Plan (PEPP). The benefits of bringing these two plans together include providing CPP members access to additional investment choice, and efficiency improvement with the elimination of duplicate administrative functions currently performed by both CPP and PEPP. The work is well underway and the transition is on track to be completed by the end of July 2015.

Overall the Crowns invested $1.9 billion toward capital, primarily infrastructure, while maintaining strong balance sheets.

In conclusion, I would like to express my appreciation for the hard work and commitment shown by Crown employees in the last year that is helping to support the unprecedented growth in Saskatchewan.

As well, I would like to thank Ken Klein, Executive Director of the Capital Pension and Benefits Administration Division of CIC for his leadership for the past 14 years and wish him all the best in his upcoming retirement.

Blair Swystun, CFA
Acting President & CEO

Investing For Growth

Saskatchewan Crown corporations have a large role to play in achieving the Government's direction for the province.

This direction includes four goals:

- Sustaining growth and opportunities for Saskatchewan people
- Improving our quality of life
- Making life more affordable
- Delivering responsive and responsible government.

Here are some of the highlights of the Crowns' efforts in 2014 towards these goals:

Crowns

- $1.9 billion spent on capital investments, mostly infrastructure

SaskPower

- Contributed about $2 billion to the provincial economy
- Connected 11,000 new customers
- Boundary Dam 3 Project will reduce emissions by 90 per cent - the equivalent of taking 250,000 cars off the road annually

SaskTel

- Deployed High Speed Fusion to 47 rural locations in the province – based on a wireless solution that is first of its kind in North America
- Upgraded existing DSL Internet services in 251 communities and extended the service to 54 additional communities
- Introduced its fibre network – infoNET TM to Prince Albert and continued expansion in Saskatoon, Regina and Moose Jaw – connecting 19,023 homes

SaskEnergy

- 7,332 new customers
- $236 million in capital investments
- $101 million to ensure safe and reliable distribution and transmission of natural gas

SGI

- Implemented numerous significant traffic safety initiatives aimed at preventing traffic fatalities and injuries in Saskatchewan
- Registered 1,080,890 vehicles in 2014, up 8,808 over 2013 (These numbers exclude vehicles registered with permits and perpetual registrations)
- SGI CANADA generated $40.7 million in revenue, returning a $31.6 million dividend to Government

STC

- Travelled 2.9 million miles last year – the equivalent of six trips to the moon and back
- Provided over 261,000 passenger trips
- Ships more than one million pieces of freight each year

SaskGaming

- Gave back over $538,000 to the communities in which they operate – 26.5 per cent of which went to Aboriginal organizations, programs and events
- Paid the Saskatchewan Government $24.9 million which supports growth opportunities for First Nations and Métis communities through the Community Initiatives Fund and the First Nations Trust

SOCO

- Innovation Place tenants in Saskatoon, Regina and Prince Albert contributed over $830 million to the provincial economy
- Tenant companies of Innovation Place provide over 4,300 jobs in the science and technology sector for Saskatchewan people
- Over 68,000 sq. ft. of specialized laboratory rental space plus another 125,000 sq. ft. of office/laboratory space

SaskWater

- $6.5 million in capital spent on asset refurbishment and replacement
- Replaced four bridges along the Saskatoon South East Water Supply system canal, which was constructed in the 1960s
- Replacement of the Saskatoon Potable East Pipe that was installed in 1966 to provide more reliable service to industry and communities

Snapshots

The CIC Crown sector is committed to providing high quality products and services at the lowest possible rates, while ensuring a reasonable financial return to the people of Saskatchewan. The Crowns have long been focused on efficiency as a normal course of business. Improved productivity and cost management are key emphases in Crown business plans to address the rising labour, operating and infrastructure costs required to meet the needs of the province. Here are only a few examples of how the Crowns are realizing efficiencies in their operations.

- **$26.0M** cost reduction at SaskPower in 2014 and a 21 per cent improvement in connection times for commercial customers through revisions to its quoting procedures.

- SaskEnergy realized total efficiency savings of $5.6M in 2014, approximately 40 per cent of which was through changes to procurement practices.

- **$1.4M** SaskTel's Consumer Sales group realized approximately $1.4M savings in labour costs.

- **$4.5M** Corporate restructuring has made SaskGaming more competitive in the entertainment market by saving approximately $4.5M while improving guest services at the same time.

- Collaboration between Crowns is projected to save $119.6M between 2013 and 2017. The existing and proposed cooperation efforts include sharing of fibre, "one-truck" location services for utility lines, and joint procurement.

GOVERNANCE FOR RESPONSIBILITY

- **HIGH** CIC Crowns are in the "high governance ranking" of the Conference Board of Canada.

- **42** per cent of the members of CIC Crown boards are women (33/77) – considerably higher than Financial Post 500 companies in Canada that average 17.1 per cent membership of women.

SERVING A POTASH MINE

When "growth" is discussed, most people think of the addition of new residential neighbourhoods, or the arrival of new Canadians. Few think of the industrial sector and the investment in infrastructure and services required by the Crowns. To illustrate, here is what is involved in getting the BHP Billiton "Jansen" potash mine up and running:

- **24.4 km** SaskEnergy provided natural gas service by building 24.4 kilometres of line to the construction camp that will also service the mine once it is operational.

- **94 km** The water supply system is SaskWater's largest financial project ever (paid for by BHP Billiton). The project includes a pump station/intake, 94 kilometres of pipeline and a booster station.

- SaskPower is planning to provide a permanent 230 kV service to the mine, which will include a new transmission line from the Wolverine Switching Station.

- **4G** SaskTel extended its provincial network to serve the mine site and the work camp. Services provided include reliable and robust 4G and 4G LTE wireless cellular services, voice and data services, and infrastructure to support wired and wireless Internet. In addition, *maxTV* service is available in the work camp during construction.

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Corporate Overview

CORPORATE PROFILE

The Crown Investments Corporation of Saskatchewan (CIC) is the financially self-sufficient holding company for eight Saskatchewan commercial Crown corporations and five wholly-owned subsidiaries.

As a holding company, CIC develops and implements broad policy initiatives, directs investments and provides dividends to the Provincial Government's General Revenue Fund (GRF). CIC is mandated to exercise supervisory powers over its subsidiary Crown corporations in addition to operating as a Crown corporation itself. As of December 31, 2014, the subsidiary Crown corporations and wholly-owned subsidiaries included:

UTILITIES	INVESTMENT & ECONOMIC GROWTH	INSURANCE	TRANSPORTATION	ENTERTAINMENT	OTHER
Saskatchewan Power Corporation (SaskPower)	Saskatchewan Opportunities Corporation (SOCO)	Saskatchewan Government Insurance (SGI)[1]	Saskatchewan Transportation Company (STC)	Saskatchewan Gaming Corporation (SGC)	Gradworks Inc.
Saskatchewan Telecommunications (SaskTel)	CIC Asset Management Inc. (CIC AMI)				First Nations & Métis Fund Inc. (FNMF)
SaskEnergy Incorporated (SaskEnergy)	Saskatchewan Immigrant Investor Fund Inc. (SIIF)				CIC Economic Holdco Ltd. (Saskatchewan Entrepreneurial Fund Joint Venture)
Saskatchewan Water Corporation (SaskWater)					

1 SGI administers the Saskatchewan Auto Fund, which is not a subsidiary Crown corporation, however summarized operating results are provided in CIC's Consolidated Management Discussion & Analysis on page 72.

Corporate Overview

PURPOSE

CIC provides Crown sector oversight on behalf of the Shareholder. We accomplish this by:

- providing strategic Shareholder direction and managing Crown performance;
- promoting best practices in Crown sector governance and disclosure; and
- developing and implementing broad policy initiatives and administering select Government programs.

VISION, MISSION & VALUES

In 2014 CIC continued to focus on the Shareholder's vision of **"Steady Growth"** in the Province and our mission was to lead and contribute to this success.

VISION

To develop a more efficient, responsive and financially sustainable Crown sector that addresses the challenges of a growing Saskatchewan.

MISSION

As the holding company, we provide leadership and support that enables our Crown corporations to contribute to Saskatchewan's economic success and improved quality of life.

VALUES

Integrity
We are trustworthy, respectful of others and hold each other accountable. We honour our commitments and conduct our business in the most ethical manner.

Excellence
We continuously challenge ourselves to improve and innovate, striving to achieve our highest potential in all areas of our business. Our stakeholders should expect only the highest business standards.

Leadership
We provide guidance and inspiration for the Crown sector to effectively and efficiently fulfill its mandate. We develop leaders at all levels and value the commitment and contributions of our employees and partners.

Teamwork
We work as a team and collaborate with the Government, our Board, Crown corporations and partners. We all play a vital role in achieving our common objectives.

CORPORATE MANDATE

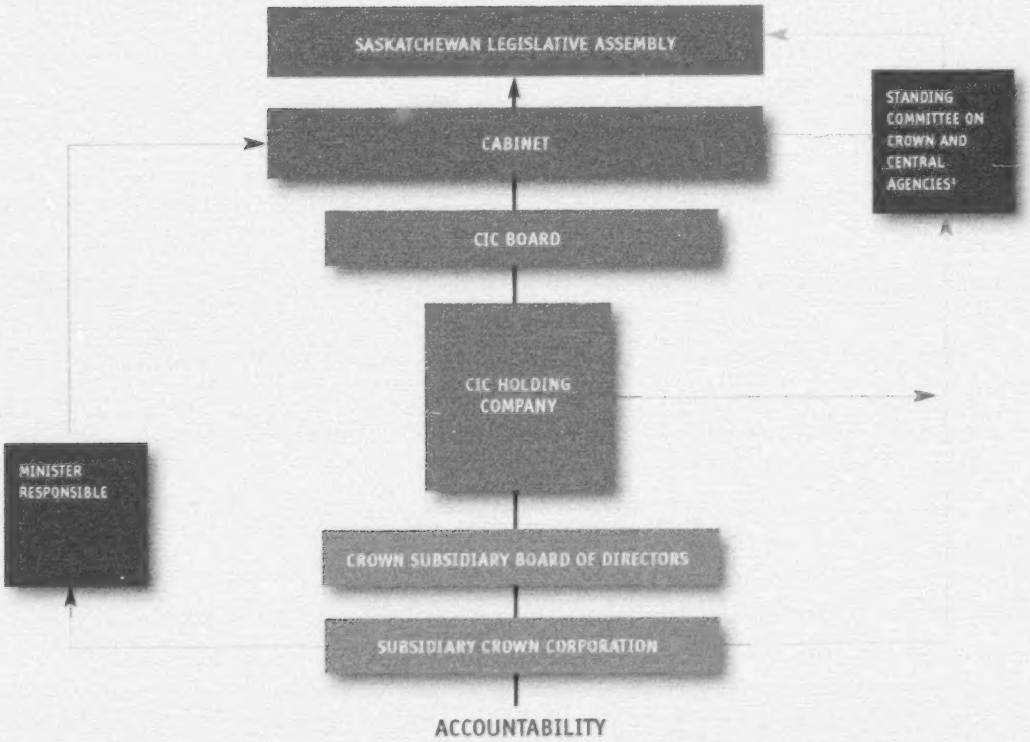
CIC's governing legislation and its mandate are defined by *The Crown Corporations Act, 1993.*

a) CIC is the holding company for all subsidiary Crown corporations, exercising supervisory powers granted in the interest of all Saskatchewan residents.
b) CIC is the agency responsible for making and administering investments on behalf of the Government of Saskatchewan.

FINANCIAL & PUBLIC ACCOUNTABILITY

The following chart depicts the accountability structure of Saskatchewan Crown corporations to both the Government and to the all-party committee of the Legislative Assembly, namely the Standing Committee on Crown and Central Agencies. It also outlines the reporting structure for decision items and performance management and defines the oversight responsibilities of:

- the Government (as the Shareholder and mandating body for the Crown corporations);
- the CIC Board (as the representative of the Shareholder to ensure mandates and activities are consistent with the interest and intent of Government); and
- each Crown corporation's Board of Directors (as the stewardship body with fiduciary duty to the Crown's operations).



[1] The Standing Committee on Crown and Central Agencies considers matters relating to CIC and its subsidiaries. Reports of the Provincial Auditor, as they relate to CIC and its subsidiaries, are permanently referred to the Standing Committee on Crown and Central Agencies.

Governance

BOARD OF DIRECTORS

The CIC Board of Directors consists of elected Government officials appointed to the Board by the Lieutenant Governor-in-Council pursuant to *The Crown Corporations Act, 1993*, and, as such, all are non-independent directors. The CIC Board makes decisions in its own right, provides advice and recommendations to the Provincial Cabinet, and functions as a key committee to Cabinet.

The CIC Board oversees the strategic direction and risk management of the CIC Crown sector. The Board is guided in this role by overall Government direction provided in the annual Provincial Budget Summary. In 2014, the Government's strategic vision, ***"Steady Growth,"*** set a long-term path essential for maintaining a secure and stable base for economic growth and the quality of life it brings to the Province. The Board's key responsibility is to ensure that all direction provided to the Crown sector is aligned with the Government's vision.

Government's Vision

Saskatchewan will be the best place in Canada:

- **to live**
- **to work**
- **to start a business**
- **to get an education**
- **to raise a family and**
- **to build a life.**

BOARD RESPONSIBILITIES

The CIC Board is committed to the Government's vision and to ensuring alignment of the CIC Crown sector through the following activities:

- Sets strategic priorities for the Crown sector;
- Oversees and ensures that risks are properly managed and appropriate authorities and controls are in place;
- Provides strategic oversight to subsidiary Crown corporations by reviewing annual business plans, setting performance expectations, allocating capital within the sector, as well as monitoring and evaluating performance; and
- Provides strategic oversight to CIC management by setting corporate strategic direction, identifying risks and opportunities, approving CIC's business plans and budgets, and monitoring and evaluating corporate performance.

Four goals set the Government's direction for the province. They include:

- **sustaining growth and opportunities for Saskatchewan people**
- **meeting the challenges of growth**
- **securing a better quality of life for all Saskatchewan people**
- **delivering responsive and responsible government.**

BOARD COMMITTEES

The CIC Board does not have separate nominating, compensation or audit and finance committees.

- CIC Board members are appointed by the Lieutenant Governor-in-Council, therefore there is no nominating committee.
- The CIC Board acts as a compensation committee by approving an executive compensation framework (pg. 33) that applies to the executives of CIC and all subsidiary Crown corporations. The Chair of the CIC Board provides oversight of CIC's CEO and evaluates the annual performance of the CEO.
- The CIC Board acts as an audit and finance committee by approving CIC's financial statements and by meeting with external auditors and the Provincial Auditor without management present.

Steady Growth

Saskatchewan's growth is strong and steady. Investments in people and infrastructure are helping to secure a better quality of life for all Saskatchewan residents.

BOARD APPOINTMENTS & RENEWAL

As CIC is a Crown corporation, the appointment and removal of members of the CIC Board, as well as the designation of the Chair and Vice-Chair, are the prerogatives of the Lieutenant Governor-in-Council. The Minister of Crown Investments must be a member of the CIC Board and is appointed as the CIC Board Chair. Pursuant to *The Crown Corporations Act, 1993*, members hold office for a term not greater than three years or until a successor is appointed. Member appointments can be renewed at expiry. T ere are six members on the CIC Board.

HONOURABLE DON MCMORRIS, CHAIR

Minister of Crown Investments
Minister Responsible for Saskatchewan Government Insurance
Minister Responsible for Saskatchewan Liquor and Gaming Authority
Minister Responsible for Saskatchewan Public Service Commission
Minister Responsible for Lean Initiative
Saskatchewan Opportunities Corporation

- Mr. McMorris was originally elected to the Saskatchewan Legislature in 1999 in the constituency of Indian Head-Milestone. He was re-elected in 2003, 2007 and in 2011.
- Mr. McMorris served as Minister of Health from 2007 until May of 2012 when he was appointed Minister of Highways and Infrastructure.
- Prior to his election to the Saskatchewan Legislature, Mr. McMorris worked with the Saskatchewan Safety Council, the Prairie View School Division and managed the family farm in the Lewvan area.

HONOURABLE NANCY HEPPNER, VICE-CHAIR

Minister of Highways and Infrastructure
Minister Responsible for Saskatchewan Gaming Corporation
Saskatchewan Grain Car Corporation
Highway Traffic Board

- Ms. Heppner was first elected to the Legislature through a 2007 by-election in the constituency of Martensville. She was re-elected in the 2007 provincial election and again in 2011.
- Ms. Heppner has served as the Minister of Environment, Minister Responsible for Saskatchewan Water Corporation, Saskatchewan Watershed Authority and the Water Appeal Board. In May 2012 she was appointed Minister of Central Services and Minister Responsible for the Public Service Commission and the Lean Initiative.
- Ms. Heppner graduated from the Saskatoon Business College in 1994, has worked as a bookkeeper and managed a family-owned business in Rosthern until starting her own business in 1999.

HONOURABLE KEVIN DOHERTY, BOARD MEMBER

Minister of Advanced Education
Minister Responsible for Saskatchewan Telecommunications
Saskatchewan Telecommunications Holding Corporation

- Mr. Doherty was originally elected to the Saskatchewan Legislature in November 2011 in the constituency of Regina Northeast. He was appointed as Minister of Advanced Education and Minister Responsible for SaskTel in June 2014 and previously acted as Minister of Parks, Culture and Sport and Minister Responsible for the Provincial Capital Commission.
- Mr. Doherty earned his Bachelor of Arts from the University of Saskatchewan in 1985.
- Prior to November 2011 Mr. Doherty served as the Vice-President of Corporate Relations at SaskPower, and worked as a Division Director for Investors Group, the Director of Government Relations for Bayer Healthcare, and as the Manager of Provincial Relations for GlaxoWellcome.

HONOURABLE GORDON WYANT, Q.C., BOARD MEMBER

Minister of Justice and Attorney General
Minister Responsible for SaskBuilds
Financial and Consumer Affairs Authority
Law Reform Commission of Saskatchewan
Office of Residential Tenancies
Provincial Mediation Board
Saskatchewan Human Rights Commission
Saskatchewan Legal Aid Commission
Automobile Injury Appeal Commission

- Mr. Wyant was first elected to the Saskatchewan Legislature in the October 2010 by-election in the constituency of Saskatoon Northwest and was re-elected in 2011. In May 2012, Mr. Wyant was appointed Minister of Justice and Attorney General and Deputy Government House Leader. In June 2014 he was again appointed Justice Minister and Attorney General as well as Minister Responsible for SaskBuilds.
- Since 2000 Mr. Wyant has been an active public servant. He was elected Saskatoon City Councillor for Ward 5 in 2003, 2006 and 2009. He has served on numerous committees of Saskatoon City Council including chairing the Planning and Operations Committee since 2006. Mr. Wyant has served on two standing committees of the Federation of Canadian Municipalities.

HERB COX, BOARD MEMBER
MLA, The Battlefords

- Mr. Cox was first elected to the Saskatchewan Legislature in 2011 in The Battlefords constituency. Since 2011 Mr. Cox has been appointed to the Caucus Management Committee, the Standing Committee on Crown and Central Agencies, and the Legislature's Public Accounts Committee. In September 2014 he was appointed Government Whip.
- Mr. Cox graduated from Brandon University in 1971 with a Bachelor of Arts degree in Economics. After graduation, he moved to Saskatchewan and was employed with a financial institution, giving him the opportunity to work in Prince Albert, Saskatoon, Lloydminster, Swift Current and North Battleford.
- Prior to entering politics, Mr. Cox was a realtor in North Battleford and has strong roots in the community. He has served with a number of organizations including the Battlefords Real Estate Board, Saskatchewan and Canadian Team Penning Associations, the Town of Battleford Industrial Planning Committee and the Zone Seven Winter Games.

KEVIN PHILLIPS, BOARD MEMBER
MLA, Melfort

- Mr. Phillips was first elected to the Saskatchewan Legislature in 2011 in the Melfort constituency.
- Mr. Phillips is a member of the Standing Committee on Crown and Central Agencies, The Red Tape Reduction Committee and is the Legislative Secretary for Regional Municipal Co-operation.
- Mr. Phillips has lived in the Melfort Constituency for most of his life and has worked in business and advertising, including being a partner in the Melfort Journal. Mr. Phillips served on the boards of the Canadian Community Newspaper Association and the Saskatchewan Weekly Newspapers Association. Most recently he was a partner in an automotive dealership. Mr. Phillips served for five years as Mayor of Melfort and has also served as Vice-Chair of the Saskatchewan Urban Municipalities Association SUMAssure Reciprocal Insurance Company.

During 2014, a total of 15 Board meetings were held by the CIC Board.

- CIC Board members are provided with meeting materials in advance of meetings;
- As a standing agenda item for Board meetings, the Board holds in-camera sessions without management present where all CIC Board members can participate; and
- Board members do not receive remuneration (retainers or per diems) for their participation on the CIC Board.

BOARD OF DIRECTORS – TENURE

Director	Position	Term on the Board
Honourable Don McMorris	Chair	May 25, 2012 to December 31, 2014
Honourable Nancy Heppner	Vice-Chair	June 11, 2014 to December 31, 2014
Honourable Kevin Doherty	Member	June 11, 2014 to December 31, 2014
Honourable Gordon Wyant, Q.C.	Member	June 11, 2014 to December 31, 2014
Herb Cox	Member	June 5, 2014 to December 31, 2014
Kevin Phillips	Member	June 5, 2014 to December 31, 2014
Honourable Donna Harpauer	Chair	May 25, 2012 to June 5, 2014
Honourable Bill Boyd	Member	May 25, 2012 to June 11, 2014
Paul Merriman, MLA	Member	November 30, 2011 to June 5, 2014
Laura Ross, MLA	Member	May 25, 2012 to June 5, 2014

OPERATING DIVISIONS

At year-end CIC had 56 positions within its four divisions:

- President's Office;
- Finance & Administration;
- Human Resource Policy, Governance & Legal; and
- Capital Pension & Benefits Administration

President's Office	The President & CEO is responsible for all aspects of leadership at CIC. The Communications and Human Resource Units report directly to the President. They: • provide support and leadership in Crown communications through delivering policy advice and information sharing; • facilitate internal communications at CIC; and • support a high-functioning organization by delivering human resource support and leadership.
Finance & Administration	The Finance & Administration Division provides analysis and recommendations to the CIC Board on a wide range of Crown sector business issues. Specifically, this Division supports: • strategic Shareholder direction to the Crown sector; • oversight of Crown corporation performance management and capital allocation plans; • sector-wide financial reporting and forecasting; • management of CIC's internal corporate planning budget, and financial transactions; • internal audit function for smaller subsidiary Crown corporations; • corporate administration services and information management; and • prudent management and divestiture of the remaining CIC AMI investments to optimize financial outcomes.
Human Resource Policy, Governance & Legal	The Human Resource Policy, Governance & Legal Division provides advice and guidance to CIC, the CIC Board and the Crown corporations and their Boards on a wide range of policy issues: • legal advisory services to CIC and the CIC Board; • oversight, development and management of Crown sector human resource policies and programs including the Crown executive compensation framework, the collective bargaining framework, Gradworks Internship Program, INROADS, Aboriginal Bursary Program, and provides demographic analysis; • develops and manages leading practices in corporate governance, including corporate secretarial services and procedural advisory services to the Crown corporation Boards, leading-edge director training and development, and continuous governance improvements; and • oversees public policy initiatives, including the Saskatchewan Immigrant Investor Fund and the Saskatchewan Rate Review Panel.
Capital Pension & Benefits Administration	The Capital Pension & Benefits Administration Division manages and administers the multi-employer Capital Pension Plan and group benefits program in accordance with applicable regulations and laws. CIC has an oversight and sponsorship role as it pertains to the Capital Pension Plan and is also responsible for holding in trust the pension plan's funds for the benefit of members and annuitants.

CIC MANAGEMENT

CIC EXECUTIVE

BLAIR SWYSTUN
Acting President & CEO,
Senior Vice-President
& Chief Financial Officer
Finance & Administration

Blair Swystun is a Chartered Financial Analyst charter holder and has a Master of Business Administration. He has more than 32 years of Government experience and has been at CIC since 1996. Blair's public service career also included various positions at Saskatchewan Finance. Blair has been a member of numerous boards and investment funds.

DOUG KOSLOSKI, Q.C.
Senior Vice-President
& General Counsel
Human Resource Policy,
Governance & Legal

Doug Kosloski is a lawyer and has degrees in Finance and Economics. He has over 20 years of service with the Government of Saskatchewan, joining CIC in 1998. Doug is a member of a number of boards and investment funds on behalf of CIC. In 2014, Doug was appointed Queen's Counsel.

CIC EXECUTIVE TEAM

Left to right:

Doug Kosloski, Q.C.
Senior VP & General Counsel

Ken Klein
Executive Director
Capital Pension & Benefits Administration

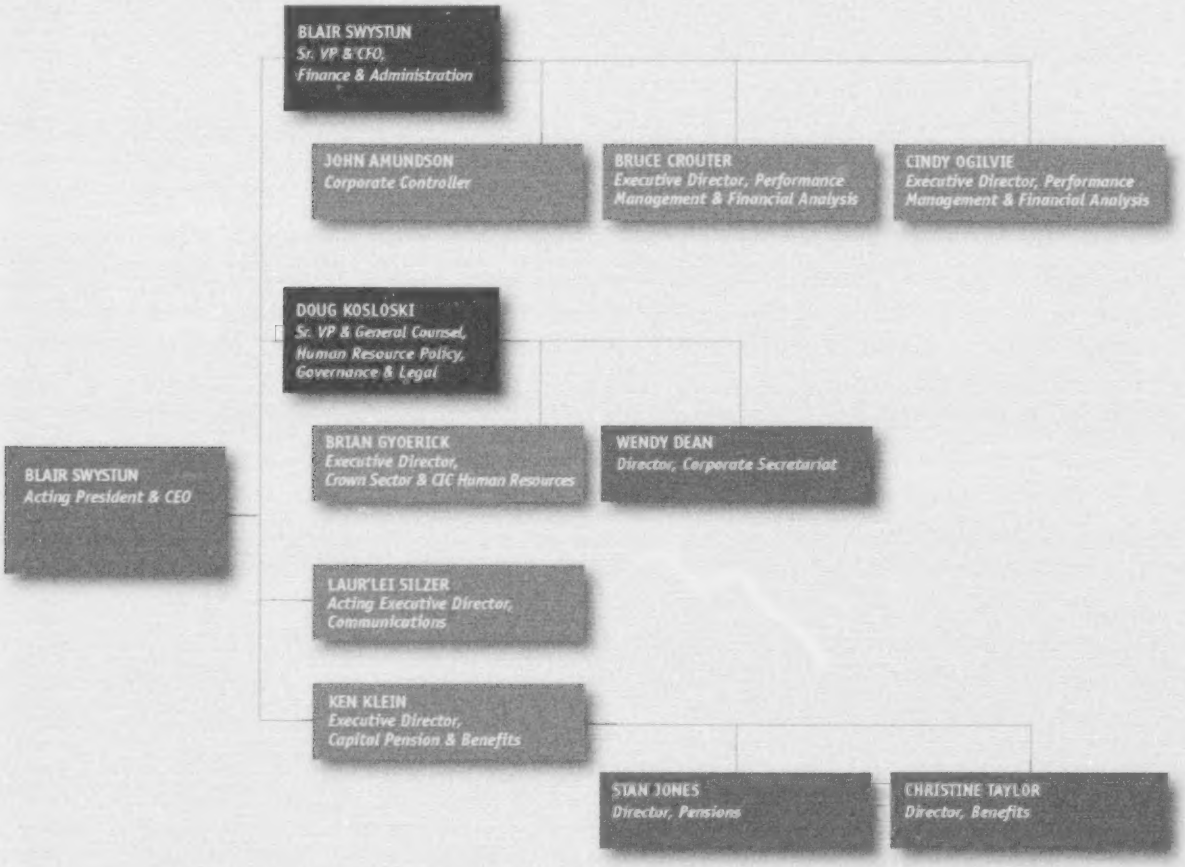
Blair Swystun
Acting President & CEO
Senior VP & CFO

Laur'Lei Silzer
Acting Executive Director
Communications

Brian Gyoerick
Executive Director
Crown Sector & CIC Human Resources

Organizational Overview

MANAGEMENT ORGANIZATION CHART



SUCCESSION PLANNING

CIC's corporate programs, policies and practices that form a solid foundation for ensuring the corporation is well positioned to retain the knowledge and competencies required to carry out its mandated responsibilities include:

- leadership development for executive and management team members;
- budgeted resources for employee development;
- the requirement for a training and development objective in the annual work plan of all team members as well as documentation of career objectives; and
- a Phased Retirement Policy to facilitate knowledge transfer from employees planning to retire to those employees who will take on their responsibilities.

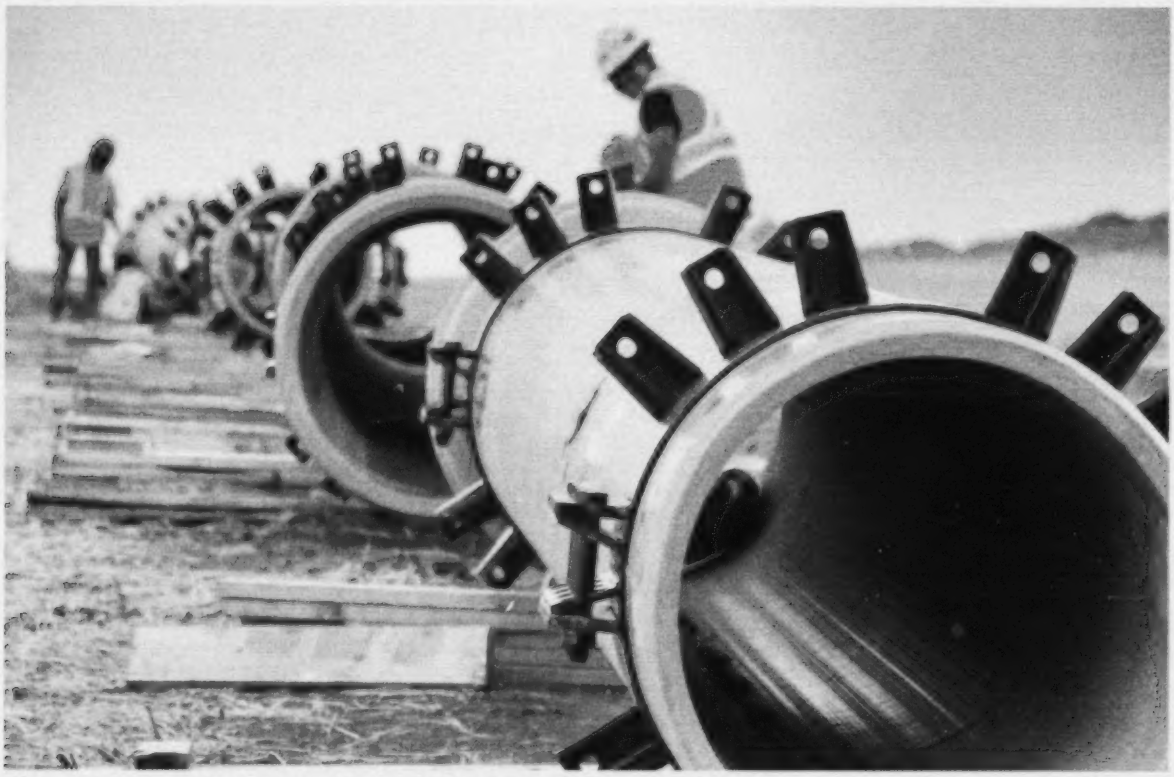
CORPORATE POLICIES

CIC strives to maintain the highest legal and ethical standards in all its business practices. Each employee is expected to act responsibly, with integrity and honesty, and to comply with CIC's code of conduct and its underlying policies and objectives.

CIC operates under a complete, regularly updated and approved set of corporate policies and procedures.

CIC requires all employees, including new employees at time of hire, to annually confirm in writing that they have read, understand and agree to comply with the policies relating to employee conduct:

- Employee Conduct Policy;
- Personal Information Privacy Policy;
- Acceptable Use of Computing Resources Policy; and
- Anti-Harassment Policy.



Operating Context

CIC is the financially self-sufficient holding company for eight subsidiary commercial Crown corporations and five wholly-owned subsidiaries. In its oversight role of the Crown sector, CIC is responsible for the development and oversight of broad policy initiatives, directing investment and providing dividends to the Provincial Government's General Revenue Fund.

CIC oversees and manages a comprehensive framework designed to strengthen governance, performance and accountability of subsidiary Crowns. CIC also assists subsidiary Crown Boards through discharging their responsibility of overseeing and directing the management of the Crowns. CIC is committed to implementing governance, enterprise risk and opportunities management, and reporting and disclosure practices consistent with those of publicly-traded companies, where such practices can reasonably be applied to the public sector. Specifically, CIC provides oversight on behalf of the Shareholder by:

- providing strategic Shareholder direction and managing Crown sector performance;
- promoting best practices in Crown sector governance and disclosure; and
- developing broad policy initiatives and administering select Government programs.

SHAREHOLDER DIRECTION & PERFORMANCE MANAGEMENT

CIC communicates Shareholder direction to its subsidiary Crown corporations and monitors their performance against targets and measures approved by the CIC Board. The Strategic and Performance Management Framework depicted on the following page demonstrates how strategic direction is relayed and performance is managed in the Crown sector.

STRATEGIC SHAREHOLDER DIRECTION

The first stage in the process is the development of the Crown Sector Strategic Priorities, led by CIC and reviewed and validated by the CIC Board. The Crown Sector Strategic Priorities articulate Shareholder expectations and provide medium to long-term direction to the Crown sector.

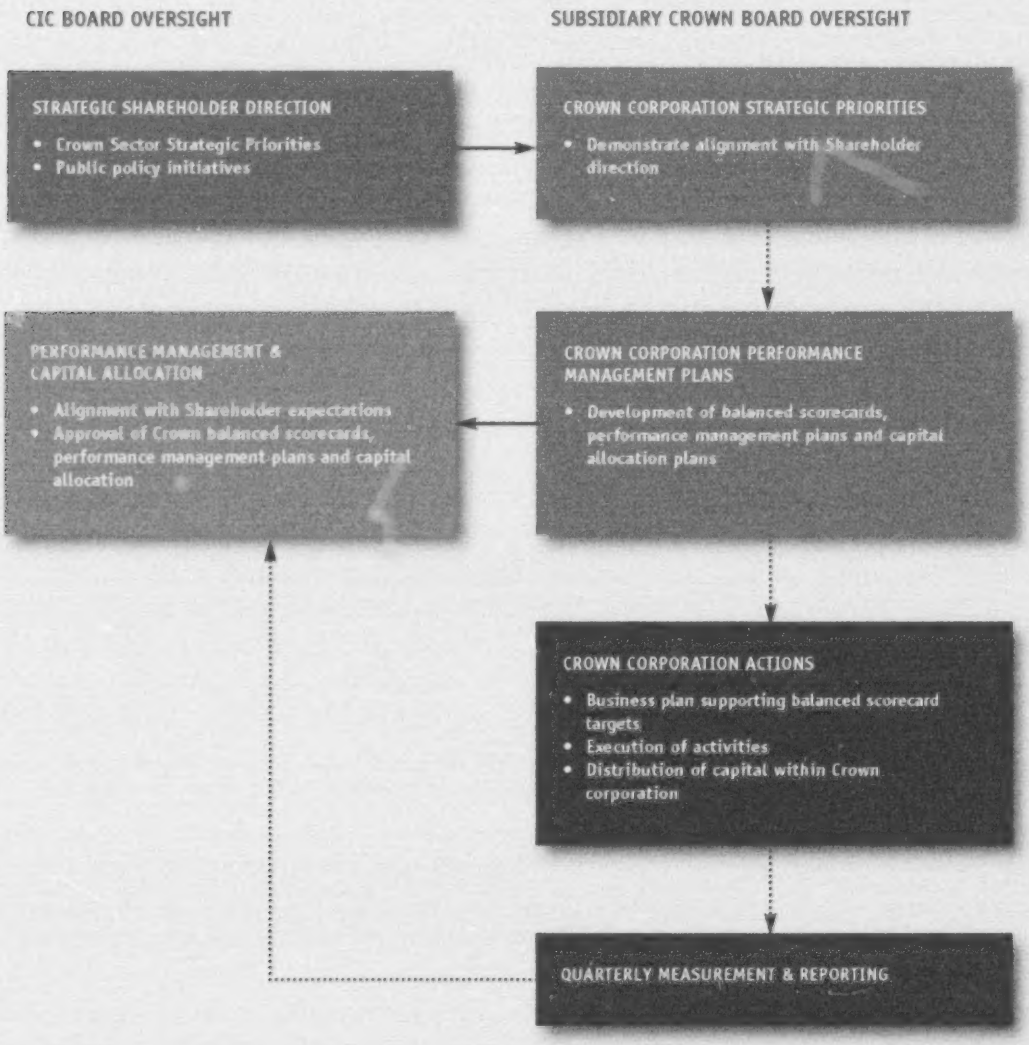
SUBSIDIARY CROWN CORPORATION PLANS

The second stage is the development of the subsidiary Crowns' corporate strategic plans, demonstrating alignment to the Shareholder direction contained within the Crown Sector Strategic Priorities. Each subsidiary Crown then prepares a comprehensive performance management plan that includes a balanced scorecard. This contains measures and targets that link to the broad strategic directions established in the Crown Sector Strategic Priorities and its corporate strategic plan. Performance management plans are prepared by Crown management and reviewed by subsidiary Crown Boards.

PERFORMANCE MANAGEMENT APPROVAL & REPORTING

The third stage is approval of subsidiary Crown's performance management plans by the CIC Board. Every year, the CIC Board evaluates each Crown's performance management plan for the upcoming year. The CIC Board may provide further direction to a Crown prior to approving the final plan. Throughout the year, CIC monitors progress toward achieving each Crown's goals, with quarterly reviews and reports submitted to the CIC Board. In addition to approving the performance objectives, the CIC Board determines the capital allocation among Crown corporations for reinvestment, debt management and dividends.

CIC'S STRATEGIC & PERFORMANCE MANAGEMENT FRAMEWORK


CIC BOARD OVERSIGHT
SUBSIDIARY CROWN BOARD OVERSIGHT
STRATEGIC SHAREHOLDER DIRECTION
• Crown Sector Strategic Priorities
• Public policy initiatives
CROWN CORPORATION STRATEGIC PRIORITIES
• Demonstrate alignment with Shareholder direction
PERFORMANCE MANAGEMENT & CAPITAL ALLOCATION
• Alignment with Shareholder expectations
• Approval of Crown balanced scorecards, performance management plans and capital allocation
CROWN CORPORATION PERFORMANCE MANAGEMENT PLANS
• Development of balanced scorecards, performance management plans and capital allocation plans
CROWN CORPORATION ACTIONS
• Business plan supporting balanced scorecard targets
• Execution of activities
• Distribution of capital within Crown corporation
QUARTERLY MEASUREMENT & REPORTING

PROMOTING BEST PRACTICES IN CROWN SECTOR GOVERNANCE

CIC assists its subsidiary Crown corporation Boards of Directors in adapting and implementing leading corporate governance practices and standards as applicable to a public enterprise. Related to this, CIC:

- delivers centralized corporate secretary and governance advisory services to the Crown Boards;
- supports Boards in identifying director skill sets required to function effectively and assess and improve performance; and
- sponsors a Chartered Director certification program to enhance overall board skills.

MANAGEMENT CERTIFICATION OF FINANCIAL STATEMENTS

CIC and its subsidiary Crown corporations complete the CEO/CFO certification of financial statements. Crown sector CEO/CFO certification is similar to the certification policies implemented by the Canadian Securities Administrators on publicly listed companies.

CIC and its subsidiaries were one of the first Government organizations to implement a certification policy. CIC is continuing to ensure that its Crown sector follows best practice for publicly accountable companies.

ENTERPRISE RISK AND OPPORTUNITIES MANAGEMENT (EROM)

CIC and all of its subsidiary Crown corporations follow the Enterprise Risk and Opportunities Management (EROM) Minimum Standards Policy. EROM involves:

- identifying risks and opportunities;
- analyzing and quantifying risk impact;
- assessing and prioritizing risks;
- establishing strategies for controlling risk and/or capitalizing on opportunities; and
- monitoring and reporting.

The EROM process focuses attention on the risks that are most important to the achievement of Crown sector objectives. It also identifies opportunities and innovations leading to redundancy eliminations, internal control framework and operational process efficiency improvements, and the effective use of limited human and financial resources.

In compliance with the sector-wide Risk Management Minimum Standards policy, the management and Board of Directors of each subsidiary Crown corporation, together with CIC, are independently responsible for EROM processes specific to their operations.

Risk appetite is determined independently by Crown corporation management and approved by the Board of each Crown corporation. In assessing risk tolerance, consideration is mainly given to mandate, financial, legal/regulatory, reputational and operational impacts and likelihoods. An attempt is made to address overall risk tolerance limits by establishing a risk assessment rating above which specific actions are required to be taken, thereby ensuring that the highest-ranked risks are sufficiently managed.

Each subsidiary Crown corporation demonstrates alignment of EROM results to strategic business planning through the annual performance management process. Performance plans are approved by both the subsidiary Crown corporation Board and the CIC Board. Progress against plan is reviewed and approved by the subsidiary Crown corporation Board and the CIC Board through quarterly balanced scorecard reporting.

For a discussion of EROM results specific to CIC, see pages 152 to 153 in the CIC Separate Management Discussion & Analysis section of this report.

A detailed discussion of EROM results specific to each subsidiary Crown corporation is included in the respective subsidiary annual report that is released to the public. Summarized results are included in the subsidiary profiles on pages 62 to 81 in the CIC Consolidated MD&A section of this report.

ACCOUNTABILITY & TRANSPARENCY

CIC has developed a comprehensive performance evaluation system applicable to each of its subsidiary Crown Boards. Evaluations are conducted on a two-year cycle, with some aspects of performance evaluated annually. In 2014 all operational Crown Boards implemented performance evaluations of the Board Chair and the Board as a whole. Evaluations are conducted by survey, and follow-up interviews are done with individual directors where necessary to clarify the responses. Each Crown Board is responsible for developing a plan to act on the results of the performance evaluations. A summary of the evaluation results is shared with CIC.

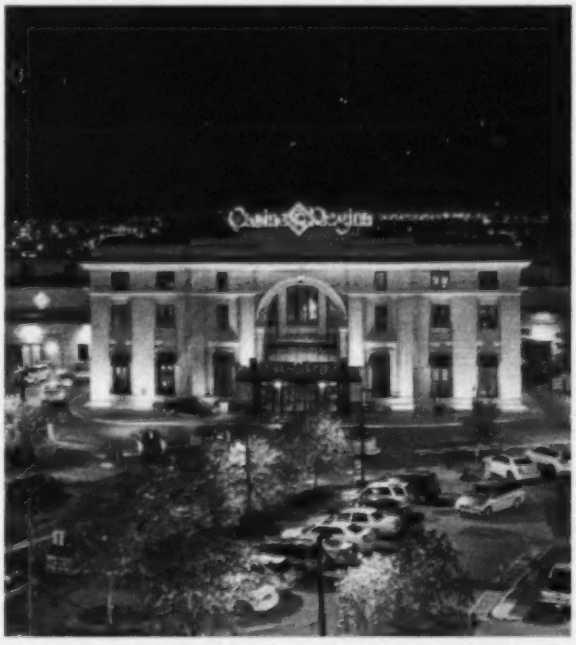
COMMUNICATION OF SHAREHOLDER EXPECTATIONS

Open, timely and reliable communication between the Shareholder and each Crown Board is essential to a successful governance framework. CIC and its subsidiary Crown corporations have initiated several effective communication channels, including:

- regular meetings between the Chairs of the Crown Boards and senior CIC officials to discuss Shareholder priorities and share information regarding matters of mutual interest;
- meetings with the Chairs of Committees of the Crown Boards, as required, to discuss initiatives and emerging trends that will impact the Committee's area of responsibility;
- regular reports from the Crown Board Chairs to the CIC Board highlighting items of significance considered at the Board level, major Crown initiatives and significant corporate risks; and
- meetings of the CIC President & CEO with the Presidents of subsidiary Crown corporations.

BOARD PROFESSIONAL DEVELOPMENT

CIC is committed to providing the members of its subsidiary Crown Boards with the education necessary to effectively discharge their responsibilities, and has provided a training program to its Boards since 1998. Since 2009 CIC has been offering The Directors College Chartered Director certification program to directors serving on CIC subsidiary Crown corporation Boards. This joint initiative of the Conference Board of Canada (CBoC) and McMaster University can lead to designation as a Chartered Director for those who complete all of the program requirements. Registration is limited to 30 participants per module. The program is voluntary and has been well received. In 2014 three modules of The Directors College Program were offered to directors who had been newly appointed during 2013 and 2014. These participants will be offered the final two modules in 2015. Also in 2014 CIC facilitated an all-Crown Board session delivered by Brown Governance and the Johnson-Shoyama Graduate School of Public Policy entitled "Public Good and the Board," which focused on governance challenges specific to a public enterprise in Saskatchewan.



PROMOTING BEST PRACTICES IN CROWN SECTOR DISCLOSURE

CONFERENCE BOARD OF CANADA - GOVERNANCE INDEX SURVEY

The CBoC maintains a 30-year database that allows boards to benchmark their performance and governance practices against those of selected leading comparator boards in the public and private sectors in Canada (Governance Index). CIC has used the CBoC Governance Index to gain an external perspective on the governance practices of its subsidiary Crown Boards. In previous surveys, the ratings achieved by CIC's Crown Boards have surpassed those of all other Boards in the public and private sector whose ratings were recorded in the CBoC's database. CIC initiated its sixth Governance Index survey in 2014.

In 2014 CIC Crown Boards achieved an overall rating of 78 out of 100, equalling their rating in 2011 and exceeding the rating of 74 in 2009, placing them in the "high governance" ranking. The next survey will be conducted in 2017.

CONFERENCE BOARD OF CANADA - REPORTING & DISCLOSURE REVIEW

Every two years CIC engages the CBoC to conduct a review of the reporting and disclosure practices of CIC and its subsidiary Crown corporations. The review is to:

- update a best practices matrix to reflect the latest standards of reporting, accountability and governance of corporations in both the private and public sectors;
- evaluate the reporting and disclosure practices of Saskatchewan's Crown corporations through a review of their annual reports against the best practices matrix; and
- provide CIC with performance reports of each Crown corporation in comparison to the best practices matrix and relative to benchmarked comparable private companies and Crown corporations.

The most recent CBoC review was conducted in the fall of 2013 on CIC's 2012 Annual Report. This review resulted in CIC receiving a rating of A which was above its target of B+. Areas for further improvement include more detailed discussions on:

- greater integration of performance targets into the MD&A;
- integrating elements relating to the success and economic growth in the province;
- significant strengths of the Crown corporation sector in Saskatchewan;
- initiatives related to the culture of integrity at the organization;
- reasons certain targets were not met, changed or missed;
- additional disclosure regarding CIC's risk management and mitigation strategies;
- forward-looking disclosures and discussion of risks to achieving action plans;
- CEO and senior executive succession planning activities for CIC.

The CBoC will conduct its next review on CIC's 2014 Annual Report and the results will be reflected in our 2015 Balanced Scorecard.

POLICY & PROGRAMMING ON BEHALF OF THE SHAREHOLDER

CIC's role includes centralized administration of select Government initiatives and programs, including:

- Saskatchewan Immigrant Investor Fund Inc.;
- First Nations and Métis Fund Inc. (fully committed);
- First Nations Business Development Program (fully committed);
- Aboriginal Bursary Program;
- Gradworks Inc. (Intern Development Program); and
- CIC is the plan sponsor for the Capital Pension Plan.

SASKATCHEWAN RATE REVIEW PANEL

The Saskatchewan Rate Review Panel (the Panel) advises the Government of Saskatchewan on rate applications proposed by SaskEnergy, SaskPower and the Saskatchewan Auto Fund. The Panel reviews each rate application and provides an independent public report on its opinion about the fairness and reasonableness of the rate change, while balancing the interests of the customer, the corporation and the public. The Provincial Cabinet makes the final decision on rate change requests.

CIC acts as a liaison between the Panel and the Government as required. In this role, CIC may provide the Panel with assistance, guidance and oversight to fulfill its mandate. The members of the Panel during 2014 were:

- Kathy Weber, Chair
- Bill Barzeele, Vice-Chair
- Delaine Barber, Member
- Steve Kemp, Member
- Burl Adams, Member
- Lyle Walsh, Member
- Daryl Hasein, Member

For more information, visit the Panel's website at www.saskratereview.ca

CORPORATE SOCIAL RESPONSIBILITY

CIC has long been committed to giving back to the community and the people of Saskatchewan.

Our Corporate Sponsorship Program supports organizations, events, programs, activities and projects across Saskatchewan that:

- benefit disadvantaged people, children and youth, Aboriginal people, or women in non-traditional roles;
- address education, emerging health or social needs, or culture and recreation; and/or
- align with our business, policies, programs and/or services.

In 2014 CIC provided approximately $50,000 to support non-profit organizations across the province as well as supplying promotional items for auction at fundraising events.

In addition to sponsorships, CIC renewed its Aboriginal Bursary Program for another five years, and has continued to offer the Gradworks Program to recent post-secondary graduates.

CIC also oversees the Saskatchewan Immigrant Investor Fund which finances the Headstart on a Home program. Headstart provides low-cost loans to municipalities and developers to build entry-level housing in our province.

CROWN PARTICIPATION

In our oversight role of the operations of the Saskatchewan Crown corporations, we monitor Crown spending on sponsorships and donations. This is to ensure that all taxpayer monies distributed by the Crowns are being used wisely and in a coordinated fashion so that support can be offered to as many organizations and events as possible.

While CIC operations have minimal impact on the environment, we encourage and support Crown prioritization of research and development related to innovative and renewable technologies to help protect the environment, and monitor achievements of regulatory standards.

EMPLOYEE SUPPORT

We are also committed to being a good employer. We continue to work on improving the scores achieved on our 2013 Employee Survey that measured the engagement and enablement levels of our workforce. Our scores exceeded the norm on 13 of the 15 factors, showing an increase from the 2011 scores.

We also encourage a healthy work-life balance and provide opportunities for professional development at all levels. Volunteer activity is encouraged and supported and employees participate in events during the workday – such as fundraising for the United Way or helping at the Humane Society – and support their organizations or activities of choice after hours.

CIC Supporting the Community

HEADSTART ON A HOME

Created in March 2011, Headstart on a Home is a program addressing the current need for entry-level homes in our province by financing at least 1,500 units in five years. Municipalities and builders come together to apply for low interest loans to fund development.

Features of the loans:

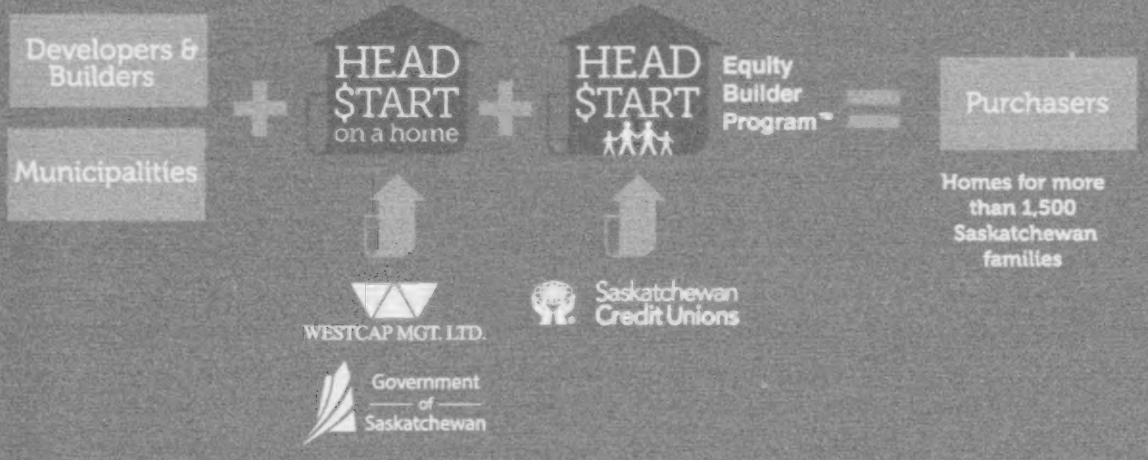
- Loaned at a fixed rate of 4%
- Minimum 10% equity requirement
- No pre-sales required
- Minimum 75% of homes must be owner-occupied
- Units must have a target price at or below the average MLS sale price in the area.

Progress*:

- A total of $371.6 million in construction loans approved to date
- 2,054 units have been approved, 964 completed, 604 under construction and 1,145 sold
- 57 projects in 17 different communities across the province.

There is $200 million available for the loans through funding from the Federal Immigrant Investor Program. These dollars flow through the Saskatchewan Immigrant Investor Fund Inc. (SIIF), a subsidiary of Crown Investments Corporation. The fund is managed by Westcap Mgt. Ltd. from Saskatoon. Saskatchewan Credit Unions are also partners in the program by offering downpayment loans for purchasers.

*as of December 31, 2014.



ABORIGINAL BURSARY PROGRAM

Crown Investments Corporation provides bursaries of $2,500 per semester or $5,000 per year to eligible Aboriginal students at the University of Saskatchewan, University of Regina, Saskatchewan Polytechnique, Lakeland College and the Saskatchewan Indian Institute of Technologies (SIIT).

To be eligible for the bursaries, students must:

- be Status Indian, non-Status Indian, Métis or Inuit;
- be Saskatchewan residents for at least the past 12 months;
- have satisfactory academic standing in completed post-secondary studies;
- be registered in at least 12 credit hours per semester; and
- maintain a 70 per cent average to receive bursaries in subsequent years.

Funding to this program was renewed for five years starting in the fall of 2014 and will provide up to 85 renewable $5,000 bursaries a year.

"Being a recipient of the CIC Continuing Scholarship has provided me with more time to balance my studies, family, leadership opportunities within SIIT and allows me to give back to the community with volunteer efforts. Crown Investments Corporation has helped me to realize the value of my success and turned my dreams into reality. The financial investment has motivated me to further my education and maintain my grades."

Callia Stoyka

"The CIC/SIIT Continuing Scholarship that I received has helped me immensely. It significantly reduced my financial burden as I was recovering from knee surgery. This scholarship allowed me to focus on my studies and not worry about getting a part-time job. Thank you CIC!"

Bronson Linklater

2014 BALANCED SCORECARD & PERFORMANCE DISCUSSION

CIC'S CORE PURPOSE

CIC uses a widely accepted performance measurement system known as the balanced scorecard. This system is used to establish, communicate and report on key corporate performance targets in a standardized and concise format. We provide our Board with quarterly progress reports on CIC's performance relative to targets. CIC's 2014 sector scorecard contains four perspectives: Shareholder, Leadership & Policy, Financial and Internal Operations.

CIC'S 2014 BALANCED SCORECARD PERSPECTIVES

SHAREHOLDER

- To ensure the subsidiary Crowns' strategic plans reflect the priorities and policies of the Shareholder.
- To ensure the Shareholder is provided with quality information and analysis to make decisions affecting the Crown sector.

FINANCIAL

- To monitor the financial performance of the Crown sector.
- To balance the relative priorities of providing an appropriate return to the people of Saskatchewan and protecting the financial flexibility of CIC and the Crown sector.

LEADERSHIP & POLICY

- To provide high quality advice to the Crown sector.
- To identify, develop and promote best practices in management of the Crown sector.
- To implement and manage programs to align with Shareholder priorities.

INTERNAL OPERATIONS

- To ensure CIC is effectively structured to support the achievement of CIC's corporate priorities.
- To achieve an engaged and enabled workforce.
- To demonstrate accountability and strong leadership throughout CIC.

BALANCED SCORECARD RESULTS – 2014

SHAREHOLDER

STRATEGIC OBJECTIVE	PERFORMANCE MEASURE	2014 TARGET	YEAR-END RESULTS
Provide expertise and guidance to support the Shareholder	S1 Performance assessment by CIC Board Chair	≥3.75[1]	4.17[1]
Effectively provide Shareholder direction to the Crown sector	S2 Performance assessment by CIC Board Chair	≥3.75[1]	4.20[1]
	S3 Performance assessment by Crown Boards	≥3.75[1]	4.12[1]

[1] Based on a five-point rating scale

Performance Indicator Key:

Exceeds Target > 120% | On Target 100% | Slightly off Target < 100% | Below Target < 80% | Not Reported this Period

SHAREHOLDER - 2014 PERFORMANCE DISCUSSION

In 2014, CIC completed the first cycle of a Crown Board dialogue process begun in 2013. Over the two years, CIC met individually with each of the subsidiary Crown Boards to communicate strategic priorities and discuss issues and challenges facing the Crown sector. In 2013, Crown Boards asked for additional information sharing opportunities. In response, CIC initiated the first annual meeting of the Crown Boards' Governance/Human Resources Committee Chairs. This provides a forum for CIC to share strategic direction and for Committee Chairs to discuss issues and concerns with Board colleagues.

BALANCED SCORECARD RESULTS – 2014 (Continued)

LEADERSHIP & POLICY

STRATEGIC OBJECTIVE		PERFORMANCE MEASURE	2014 TARGET	YEAR-END RESULTS & VARIANCE ANALYSIS
Implement key strategic public policy and programs aligning with Shareholder priorities	LP1	Crown sector efficiency initiatives - EBITDA/Revenue	28.8%	26.2%
	LP2	Oversight of public policy programs and initiatives	100% of program deliverables	Achieved 124% of program deliverables
Provide an effective performance management process to the Crown sector	LP3	Performance assessment by Crown Executives	≥3.5[1]	3.91[1]
Effectively provide policy and procedural advice and support to the Crown sector	LP4	Performance assessment by Crown Executives	≥3.5[1]	3.86[1]
Advance best practice standards within the Crown sector	LP5	Governance Rating: Benchmarking by the Conference Board of Canada (CBoC)	Top Quartile (25%)	Top Quartile (25%)
	LP6	Reporting and Disclosure Rating of Crown sector Annual Reports – Benchmarking by the CBoC	Non-reporting year of a two-year cycle.	Non-reporting year

[1] Based on a five-point rating scale

Performance Indicator Key:

Exceeds Target > 120% | On Target 100% | Slightly off Target < 100% | Below Target < 80% | Not Reported this Period

LEADERSHIP & POLICY - 2014 PERFORMANCE DISCUSSION

CIC's leadership role was favorably rated by Crown Executives and the Conference Board of Canada (CBoC). Valuable feedback is gained through this process which assists us as we incorporate requested improvements into our upcoming business plans. Key opportunities to improve relate to clarity and timing of strategic communication in the areas of business and Crown sector human resources.

CIC Crowns met the demands of growth in 2014 by investing in infrastructure while managing in a sometimes challenging business environment. EBITDA/Revenue results were slightly off target. Strong Crown revenues were realized due to cold weather, customer demand and investment market returns but, resulted in only slightly improved EBITDA. Higher natural gas prices during a high volume cold period at the start of the year negatively impacted EBITDA and the efficiency ratio.

CIC's public policy programs again achieved notable successes.

- The four programs which support the development of an educated workforce and youth (Gradworks Inc., Aboriginal Bursary Program, INROADS and the Aboriginal Cultural Awareness Program (ACAP) all reached or surpassed the 2014 targets.
- The continuing growth in Saskatchewan supported the need for an increased supply of entry-level housing in the province. The very successful Headstart on a Home program had a 2014 target of 300 units under construction or completed, and filed year-end results surpassing this target by 95% with a total of 586 units.

BALANCED SCORECARD RESULTS – 2014 (Continued)

FINANCIAL

STRATEGIC OBJECTIVE	PERFORMANCE MEASURE	2014 TARGET	YEAR-END RESULTS & VARIANCE ANALYSIS
Ensure that the Crown sector is financially sustainable and provides an appropriate return to the people of Saskatchewan	F1 CIC dividend and equity repayments to the General Revenue Fund	$206.0M	$206.0M
	F2 Consolidated ROE target	3.9%	3.5%
	F3 Consolidated debt ratio	57.1%	60.1%

Performance Indicator Key:

Exceeds Target > 120% | On Target 100% | Slightly off Target < 100% | Below Target < 80% | Not Reported this Period

FINANCIAL - 2014 PERFORMANCE DISCUSSION

Saskatchewan continued to experience economic growth in 2014. CIC measures and monitors the Crown sector's financial health to ensure sufficient financial capacity to provide the infrastructure, products and services that Saskatchewan people need to enjoy a high quality of life.

CIC provided $206 million in dividends to the Government to support priorities such as health care and education. Crown sector consolidated earnings were on target at $162 million and resulted in an ROE of 3.5%. This was slightly lower than target due to the impact of an accounting policy change on equity that was different than assumed when the target was developed.

The consolidated debt ratio finished the year slightly above target. Saskatchewan has enjoyed steady population and economic growth since 2008. The resulting demand for Crown services, combined with rapidly changing technology and aging infrastructure, requires borrowing to fund Crown capital programs. Crown debt ratios are comparable to industry levels and will be monitored to ensure sustainability.

BALANCED SCORECARD RESULTS – 2014 (Continued)

INTERNAL OPERATIONS

STRATEGIC OBJECTIVE	PERFORMANCE MEASURE	2014 TARGET	YEAR-END RESULTS
Advance best practices in CIC's reporting and disclosure	I01 Meet financial and performance reporting requirements	Quarterly and annual reports released on time	On target
	I02 Reporting and Disclosure Rating for CIC's Annual Report: Benchmarking by the CBoC	Non-reporting year of a two-year cycle.	Non-reporting year
Prudent management of corporate resources	I03 CIC operating expenditures	Within budget	19% below budget
Promote employee effectiveness and corporate success	I04 Employee engagement	Non-reporting year of a two-year cycle.	Non-reporting year
	I05 Employee enablement	Non-reporting year of a two-year cycle.	Non-reporting year

Performance Indicator Key:

Exceeds Target > 120% | On Target 100% | Slightly off Target < 100% | Below Target < 80% | Not Reported this Period

INTERNAL OPERATIONS - 2014 PERFORMANCE DISCUSSION

CIC measures its employee engagement and enablement in alternate years. A survey was not conducted in 2014 however there were opportunities to support and engage employees during the year including investing in leadership skills training for the executive team to support continuous improvement.

Consistent with Government priorities, CIC is focused on efficiency and cost management. The operating expenditures were substantially below expectations despite taking on additional projects such as the smart meter review, and higher than expected final payments under the EnerGuide for Houses Program. CIC experienced some position vacancies during the year and reduced grant funding. (A more complete discussion of operating results can be found in the Separate Management Discussion & Analysis section beginning on page 147.)

RATIONALE FOR SELECTION OF PERFORMANCE MEASURES

STRATEGIC OBJECTIVE	PM CODE	RATIONALE FOR SELECTION OF PERFORMANCE MEASURES (PM)
Provide expertise and guidance to support the Shareholder	S1	Provides for direct assessment by the CIC Board Chair (Shareholder's representative) on the relative performance of the holding company in providing expertise and guidance to support the Shareholder.
Effectively provide Shareholder direction to the Crown sector	S2	Provides for direct assessment by the CIC Board Chair (Shareholder's representative) on the relative performance of the holding company in providing Shareholder direction to the Crown sector.
	S3	Provides for direct assessment by Crown Boards on the relative performance of the holding company in providing Shareholder direction to the Crown sector.
Implement key strategic public policy and programs aligning with Shareholder priorities	LP1	To monitor Crown progress towards achieving Government's priority on efficiency.
	LP2	Focus on CIC's role in the leadership and oversight of public policy programs and initiatives, aligning with Shareholder priorities.
Provide an effective performance management process to the Crown sector	LP3	Provides for direct assessment by Crown sector Executives on the relative performance of the holding company in providing an effective performance management system.
Effectively provide policy and procedural advice and support to the Crown sector	LP4	Provides for direct assessment by Crown sector Executives on the relative performance of the holding company in providing effective policy and procedural advice and support to the Crown sector.
Advance best practice standards within the Crown corporations	LP5	Benchmarking governance to industry standards or best practices by an independent 3rd party.
	LP6	Benchmarking financial reporting and disclosure to industry standards or best practices by an independent 3rd party.
Ensure that the Crown sector is financially sustainable and provides an appropriate return to the people of Saskatchewan	F1	Provide an appropriate return to the Shareholder in an amount directed by the Shareholder
	F2	Indicates the level of profitability across the Crown sector by measuring Crown sector returns as a percentage of the equity in the Crown sector. Although the measure cannot be benchmarked to industry on a consolidated basis, results can be compared year over year.
	F3	Indicates the level of financial flexibility in the Crown sector by measuring Crown sector debt as a percentage of capital (debt plus equity) in the Crown sector. Higher ratios indicate increased debt burden which may impair the Crown sector's ability to withstand downturns in revenues and still meet fixed payment obligations. Although the measure cannot be benchmarked to industry on a consolidated basis, results can be compared year over year.
Advance best practices in CIC's reporting and disclosure	I01	Release of financial and performance reporting is governed by policy and in some cases, such as CIC's Annual Report, by legislation.
	I02	Benchmarking to industry standards or best practices by an independent 3rd party.
Prudent management of corporate resources	I03	CIC is given the authority to make expenditures within the operating budget as approved annually by the CIC Board of Directors.
Promote employee effectiveness and corporate success	I04	Benchmark employee engagement by direct feedback from employees by independent 3rd party. Potential to further benchmark against other corporate entities.
	I05	Benchmark employee enablement by direct feedback from employees by independent 3rd party. Potential to further benchmark against other corporate entities.

STAKEHOLDER FEEDBACK

To maintain and improve the value it provides its stakeholders, CIC undertakes an annual stakeholder feedback process. Each stakeholder group is surveyed regarding the value of the functions performed by CIC. The key strategic stakeholder groups for CIC include:

- CIC Board of Directors (as the representative of the Shareholder to ensure mandates and activities are consistent with the interest and intent of Government);
- subsidiary Crown boards of directors (as the stewardship body with fiduciary duty to the Crowns' operations); and
- subsidiary Crown executives (as the corporations' management bodies to conduct operations under the Boards' stewardship and direction).

The subsidiary Crown Board and Crown Executive surveys are administered by an independent agency to ensure confidential disclosure and unbiased interpretation of results. In the case of the CIC Board, to which CIC has direct responsibility, the survey is administered by CIC's CEO. Each stakeholder group is surveyed on the following criteria:

Assessed Criteria	CIC Board of Directors	Crown Subsidiary Boards of Directors	Crown Subsidiary Executives
Fulfilling its Mission	✓		
Direct Board Services & Support	✓		
Governance & Strategic Direction	✓[1]	✓	✓
Performance Management	✓[1]	✓	✓
Capital Allocation	✓[1]	✓	✓
Preparation of Board / Cabinet Materials	✓	✓	✓
Strategic Human Resources	✓[1]	✓	✓
Information Sharing		✓	✓
Corporate Secretariat Services		✓	
Financial & Reporting Policies			✓
Communications Coordination & Strategy	✓[1]		✓
Legal, Procedural & Legislative Advice	✓	✓	✓
Financial Management	✓		
Oversight of Government Initiatives	✓		
CIC's Operations & Administration	✓		

[1] Oversight on a Crown sector-wide basis.

STATEMENT OF RELIABILITY

I, Blair Swystun, the Acting President and Chief Executive Officer and Senior Vice-President and Chief Financial Officer of Crown Investments Corporation of Saskatchewan, and I, Cindy Ogilvie, Executive Director of Performance Management and Financial Analysis of Crown Investments Corporation of Saskatchewan, certify that we have reviewed the Balanced Scorecard performance results included in the Annual Report of Crown Investments Corporation of Saskatchewan.

Based on our knowledge, having exercised reasonable diligence, the performance results included in the Annual Report, fairly represent, in all material respects, CIC's performance results as of December 31, 2014.

Blair Swystun, CFA
Acting President & CEO
Senior Vice-President & CFO

Cindy Ogilvie, CPA, CA
Executive Director, PMFA
Finance & Administration

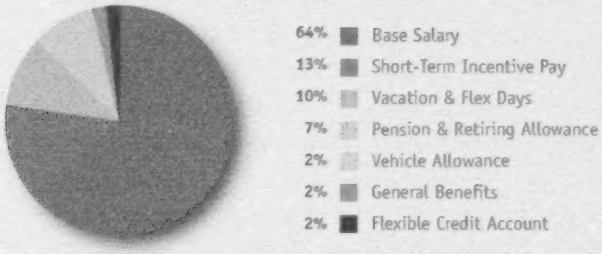
EXECUTIVE COMPENSATION

INDEPENDENT & OBJECTIVE

Consistent with best practice and to ensure objectivity, the CIC Board directed CIC to engage an external consultant to review Crown sector executive compensation practices and assist in the development of an Executive Compensation Framework. The current Crown Sector Executive Compensation Framework was implemented in 2006.

In order to maintain a meaningful degree of competitiveness with the external market, the CIC Board undertakes a review of the Framework every two to three years. In 2009 and 2012 external consultants were engaged to conduct reviews to assess the degree to which Crown executive compensation remained aligned with the framework's stated philosophy and the external market. Based on the results of the 2012 review, the CIC Board approved changes which refined the Framework and more closely reflect market comparators. The changes were effective January 1, 2013. It is anticipated the Framework will be reviewed once again in 2016.

2014 EXECUTIVE COMPENSATION



FRAMEWORK

CIC has designed and administers executive compensation consistent with the CIC Board and Cabinet's Crown Sector Executive Compensation Framework and is committed to a "total compensation" perspective.

Crown sector compensation maintains a meaningful degree of competitiveness with the relevant external labour markets, targeting to achieve +/- 10% of the 50th percentile of market comparators (i.e. be in the middle of the group).

COMPENSATION

Each of CIC's executives receives a comprehensive group benefits package and is eligible for an annual short-term incentive program (STI) in addition to their base pay. The 2014 executive compensation chart on the preceding page indicates the percentage (%) each component contributed to total compensation in 2014. Relative to 2013, 2014 saw a reduction in the weighting of base salary with a corresponding increase in the weighting of short-term incentive pay. This reflects an increased emphasis on re-earnable performance-based pay.

As required by *The Crown Employment Contracts Act*, the CEO and direct reports of the CEO, including all executive members, report the details of their compensation and benefits to the Clerk of Executive Council. These filings are available for public review.

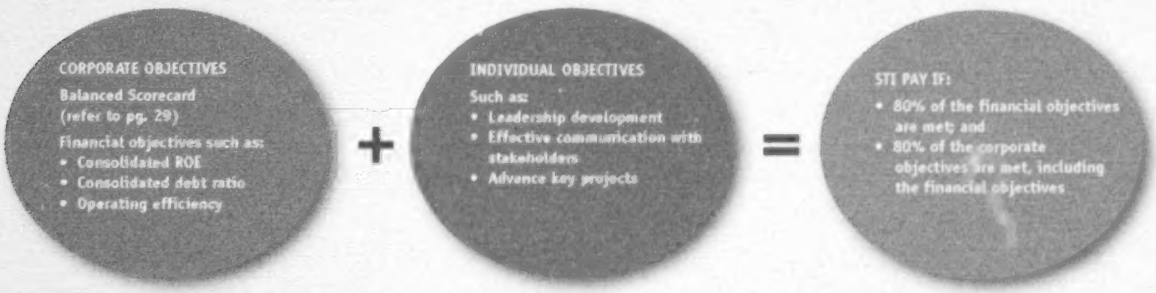
The Standing Committee on Crown and Central Agencies requires all Crown corporations to file an annual payee list, which includes remuneration information for the executive members. The Payee Disclosure Report is available on CIC's website www.cicorp.sk.ca. The CIC Board reviews the details of these expenditure reports annually.

Consistent with CIC Board and Cabinet approved ranges, the CIC base salary ranges for 2014 were:

Position	Base Salary Range
CEO	$334,625 - $418,282
Executive 1	$230,770 - $288,463
Executive 2	$192,282 - $240,352

ELIGIBILITY FOR SHORT-TERM INCENTIVE PAY (STI)

Executive STI pay is based on both corporate and individual objectives and demonstrated results against those objectives.



PERFORMANCE MANAGEMENT & PAY AT RISK

CIC's corporate STI targets are directly linked to all, versus a subset of, CIC Balanced Scorecard (BSC) targets. Key areas of BSC responsibility specific to each executive member are weighted more heavily than other areas for STI payout determination. Linking each executive to all BSC targets incents a collaborative, team approach to achieving corporate targets. The financial component is separately measured to focus CIC executive on protecting CIC and Crown sector financial sustainability and on providing an appropriate return to the people of Saskatchewan. The CIC Board receives quarterly progress reports regarding performance against BSC targets. (Refer to page 31 for information regarding the rationale linking BSC targets to performance.)

STI targets are stretch goals and are objective, quantifiable and within the span of control and/or influence of management. For the corporate component, CIC's executive STI measures and targets are established equivalent to the annual BSC measures and targets. STI targets may be more challenging than BSC targets, but cannot be less challenging than the BSC targets.

Following the end of the fiscal year, each executive summarizes his/her performance for the year against the pre-set objectives and targets. A discussion between the CEO and each Sr. Vice-President/Vice-President occurs regarding demonstrated results on both a corporate and individual basis. The CEO determines a final performance score for each Sr. Vice-President/Vice-President. Similarly, the CIC Board Chair reviews and discusses the CEO's annual performance results.

The CIC Board annually reviews and approves CIC's executive performance, including STI targets. The weighting ranges for each component are:

Position	Corporate Weighting	Individual Weighting
CEO	90 – 80%	10 – 20%
Executive 1 and Executive 2	85 – 70%	15 – 30%

Future Outlook

2015 CORPORATE DIRECTION & PRIORITIES

In June 2014 CIC refreshed the Crown Sector Strategic Priorities to support the Government's goal to keep Saskatchewan on the path of steady growth. Population growth, aging infrastructure, regulations and competitive pressures have combined to place significant pressure on the Crowns' capacity to support Saskatchewan's growing economy. Through cost management and targeted investment in infrastructure, CIC will lead the Crown sector toward providing Saskatchewan with the best service and affordable rates.

CIC'S 2015 BALANCED SCORECARD PERSPECTIVES

SHAREHOLDER

- To ensure the subsidiary Crowns' strategic plans reflect the priorities and policies of the Shareholder.
- To ensure the Shareholder is provided with quality information and analysis to make decisions affecting the Crown sector.

FINANCIAL

- To monitor the financial performance of the Crown sector.
- To balance the relative priorities of providing an appropriate return to the people of Saskatchewan and protecting the financial flexibility of CIC and the Crown sector.

LEADERSHIP & POLICY

- To provide high quality advice to the Crown sector.
- To identify, develop and promote best practices in management of the Crown sector.
- To implement and manage programs to align with Shareholder priorities.

INTERNAL OPERATIONS

- To ensure CIC is effectively structured to support the achievement of CIC's corporate priorities.
- To achieve an engaged and enabled workforce.
- To demonstrate accountability and strong leadership throughout CIC.

2015 PERFORMANCE TARGETS

SHAREHOLDER

STRATEGIC OBJECTIVE	PM CODE	PERFORMANCE MEASURE (PM)	2015 TARGET
Provide expertise and guidance to support the Shareholder	S-1	Performance assessment by CIC Board Chair	≥ 4.0[2]
Effectively provide Shareholder direction to the Crown sector	S-2	Performance assessment by CIC Board Chair	≥ 4.0[2]
	S-3	Performance Assessment by the Crown Boards	≥ 4.0[2]

LEADERSHIP & POLICY

STRATEGIC OBJECTIVE	PM CODE	PERFORMANCE MEASURE (PM)	2015 TARGET
Implement key strategic public policy and programs aligning with Shareholder priorities	LP-1	EBITDA[1]/Revenue - Crown sector efficiency initiatives	29.9%
	LP-2	Oversight of public policy programs and initiatives	To achieve 100% of program deliverables
Provide an effective performance management process to the Crown sector	LP-3	Performance assessment by Crown Executives	≥ 3.75[2]
Effectively provide policy and procedural advice and support to the Crown sector	LP-4	Performance assessment by Crown Executives	≥ 3.75[2]
Advance best practice standards within the Crown sector	LP-5	Governance Rating: Benchmarking by the Conference Board of Canada (CBoC)	Non-reporting year of a three-year cycle
	LP-6	Reporting and disclosure rating of Crown sector 2014 Annual Reports - Benchmarking by the CBoC	Sector rating of B+

[1] EBITDA (Earnings before interest, taxes, depreciation and amortization)
[2] Based on a five-point rating scale

Future Outlook

FINANCIAL

STRATEGIC OBJECTIVE	PM CODE	PERFORMANCE MEASURE (PM)	2015 TARGET
Ensure that the Crown sector is financially sustainable and provides an appropriate return to the people of Saskatchewan	F-1	CIC dividend and equity repayments to the General Revenue Fund (GRF)	262.2M
	F-2	Consolidated ROE target	6.2%
	F-3	Consolidated debt ratio	61.6%

INTERNAL OPERATIONS

STRATEGIC OBJECTIVE	PM CODE	PERFORMANCE MEASURE (PM)	2015 TARGET
Advance best practices in CIC's reporting and disclosure	IO-1	Meet financial and performance reporting requirements	Quarterly and annual reports released on time
	IO-2	Reporting and disclosure rating for CIC's 2014 Annual Report: Benchmarking by the CBoC	A-
Prudent management of corporate resources	IO-3	CIC operating expenditures	Within budget
Promote employee effectiveness and corporate success	IO-4	Employee engagement	>Hay Group norm
	IO-5	Employee enablement	>Hay Group norm

RATIONALE FOR SELECTION OF PERFORMANCE MEASURES

STRATEGIC OBJECTIVE	PM CODE	RATIONALE FOR SELECTION OF PERFORMANCE MEASURES
Provide expertise and guidance to support the Shareholder	S-1	Provides for direct assessment by the CIC Board Chair (Shareholder's representative) on the relative performance of the holding company in providing expertise and guidance to support the Shareholder.
Effectively provide Shareholder direction to the Crown sector	S-2	Provides for direct assessment by the CIC Board Chair (Shareholder's representative) on the relative performance of the holding company in providing Shareholder direction to the Crown sector.
	S-3	Provides for direct assessment by Crown Boards on the relative performance of the holding company in providing Shareholder direction to the Crown sector.
Implement key strategic public policy and programs aligning with Shareholder priorities	LP-1	To monitor Crown progress towards achieving Government's priority on efficiency. Measures the efficiency of revenues in generating profit in the Crown sector.
	LP-2	Focus on CIC's role in the leadership and oversight of public policy programs and initiatives, aligning with Shareholder priorities.
Provide an effective performance management process to the Crown sector	LP-3	Provides for direct assessment by Crown sector Executives on the relative performance of the holding company in providing an effective performance management system.
Effectively provide policy and procedural advice and support to the Crown sector	LP-4	Provides for direct assessment by Crown sector Executives on the relative performance of the holding company in providing effective policy and procedural advice and support to the Crown sector.
Advance best practice standards within the Crown corporations	LP-5	Benchmarking governance to industry standards or best practices by an independent 3rd party.
	LP-6	Benchmarking financial reporting and disclosure to industry standards or best practices by an independent 3rd party.
Ensure that the Crown sector is financially sustainable and provides an appropriate return to the people of Saskatchewan	F-1	Provide an appropriate return to the Shareholder in an amount directed by the Shareholder.
	F-2	Indicates the level of profitability across the Crown sector by measuring Crown sector returns as a percentage of the equity in the Crown sector. Although the measure cannot be benchmarked to industry on a consolidated basis, results can be compared year over year.
	F-3	Indicates the level of financial flexibility in the Crown sector by measuring Crown sector debt as a percentage of capital (debt plus equity) in the Crown sector. Higher ratios indicate increased debt burden which may impair the Crown sector's ability to withstand downturns in revenues and still meet fixed payment obligations. Although the measure cannot be benchmarked to industry on a consolidated basis, results can be compared year over year.
Advance best practices in CIC's reporting and disclosure	IO-1	Release of financial and performance reporting is governed by policy and in some cases, such as CIC's annual report, by legislation.
	IO-2	Benchmarking to industry standards or best practices by an independent 3rd party.
Prudent management of corporate resources	IO-3	CIC is given the authority to make expenditures within the operating budget as approved annually by the CIC Board of Directors.
Promote employee effectiveness and corporate success	IO-4	CIC employee engagement is benchmarked against other corporate entities and is monitored through surveys conducted semi-annually by an independent 3rd party.
	IO-5	CIC employee enablement is benchmarked against other corporate entities and is monitored through surveys conducted semi-annually by an independent 3rd party.

Introduction to CIC's Financial Reporting

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Introduction to CIC's Financial Reporting

PREFACE

The purpose of the following discussion is to provide the users of CIC's financial statements with an overview of the Corporation's financial performance and the various measures CIC uses to evaluate its financial health. This narrative on CIC's 2014 financial results should be read in conjunction with the audited consolidated and separate financial statements.

Producing two different views of CIC's operations and results, with consolidated and separate financial statements, is a cornerstone of our commitment to accountability and transparency. Explanations of the differing purposes of these statements are provided in the next pages.

In addition to the information on CIC's 2014 results, discussions also provide detailed information regarding performance relative to the business plan, and what this means for the CIC Crown sector in the future.

FORWARD-LOOKING INFORMATION

Throughout the annual report, and particularly in the following discussion, are forward-looking statements. These statements can be recognized by terms such as "outlook", "expect", "anticipate", "project", "continue", or other expressions that relate to estimations or future events. By their nature, forward-looking statements require assumptions based on current information, management experience and historical performance. Forward-looking information is subject to uncertainties and, as a result, forward-looking statements are not a guarantee about the future performance of CIC and its subsidiary Crown corporations.

Readers should not place undue reliance on forward-looking statements, as a number of factors could cause actual results to differ materially from estimates, predictions and assumptions. Factors that can influence performance include, but are not limited to: weather conditions, commodity markets, general economic and political conditions, interest and exchange rates, performance, competition and regulatory environment. Given these uncertainties, assumptions contained in the forward-looking statements may or may not occur.

Understanding CIC's Financial Statements

CIC prepares two sets of financial statements: consolidated financial statements and separate financial statements.

CIC CONSOLIDATED FINANCIAL STATEMENTS

These statements illustrate CIC's results consolidated with the results of its subsidiary corporations. The financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and include:

- Financial results of subsidiary Crown corporations (SaskPower, SaskTel, SaskEnergy, SGI, SGC, STC, SaskWater, and SOCO);
- Financial results for CIC's wholly-owned subsidiaries (Gradworks Inc., CIC Economic Holdco Ltd., First Nations and Métis Fund Inc., Saskatchewan Immigrant Investor Fund Inc. and CIC Asset Management Inc.);
- Dividends paid by CIC to the General Revenue Fund (GRF); and
- CIC's operating results and public policy expenditures.

Consolidated earnings represent the total earnings in the Crown sector, taking into consideration the elimination of all inter-entity transactions (i.e. revenues and expenses between Crown corporations and dividends paid by Crown corporations to CIC).

CIC SEPARATE FINANCIAL STATEMENTS

Separate earnings represent CIC's earnings as the Shareholder of the Saskatchewan Commercial Crown sector. These statements assist CIC in determining its capacity to pay dividends to the GRF. The separate statements have not been and are not intended to be prepared in accordance with IFRS. These statements are intended to isolate the Corporation's cash-flow, capital support for certain subsidiary corporations, and public policy expenditures. These financial statements include:

- Dividends from subsidiary corporations;
- Dividends paid by CIC to the GRF;
- Grants by CIC to subsidiaries; and
- CIC's operating results and public policy expenditures.

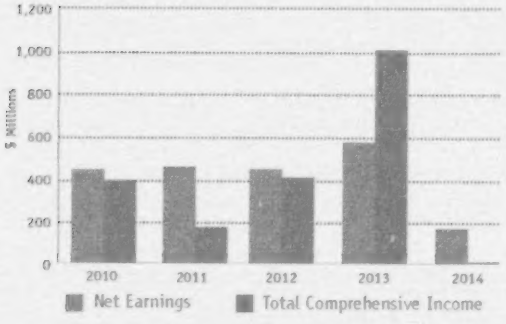
CIC'S 2014 Financial Highlights

(millions of dollars)

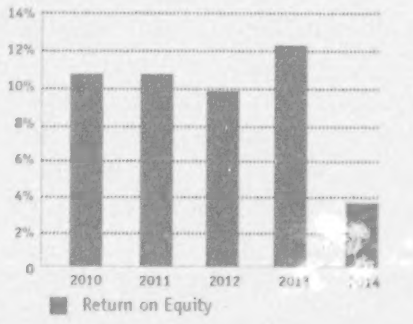
	2014	2013[1]	2012[1]	2011	2010
CIC Consolidated					
Earnings	$ 162.7	$ 566.9	$ 438.6	$ 450.9	$ 436.3
Assets	16,542.3	15,136.8	13,092.0	11,962.4	11,066.3
Debt[2]	7,716.1	6,624.0	5,709.7	4,772.1	4,440.9
Dividend to the GRF	206.0	361.4	280.1	128.5	471.0
Debt Ratio (per cent)	60.1%	56.3%	52.5%	48.6%	49.7%
Return on Equity (per cent)	3.5%	12.1%	9.6%	10.5%	10.5%
CIC Separate					
Dividend Revenue	$ 173.6	$ 202.5	$ 346.4	$ 213.9	$ 276.1
Earnings	149.7	330.4	314.0	167.1	236.0
Cash Return on Equity (per cent)	13.3%	21.7%	16.1%	7.8%	27.1%

[1] Results in 2013 and 2012 have been restated to comply with a change in revenue recognition.
[2] Consolidated debt includes long-term debt, long-term debt due within one year and notes payable.

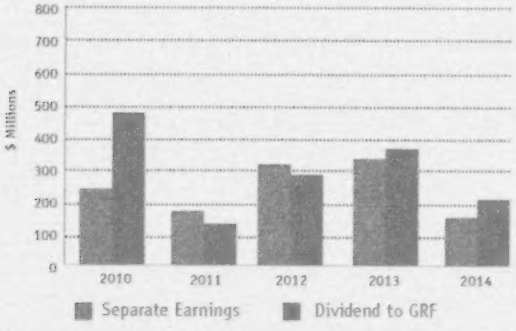
CONSOLIDATED EARNINGS



CONSOLIDATED RETURN ON EQUITY



SEPARATE EARNINGS AND DIVIDENDS TO THE GRF



A BALANCED APPROACH TO SHAREHOLDER RETURN

- CIC is focused on providing a reasonable return to the Province. This priority must be balanced with its public policy initiatives and reinvestment in sustaining infrastructure to meet the growth of the province.
- CIC declared and paid dividends of $206.0 million to the GRF.
- CIC's consolidated return on equity was 3.5 per cent.
- These returns were accomplished while supporting the following public policy initiatives:
  - Saskatchewan EnerGuide for Houses program;
  - Gradworks Inc., an internship program for CIC Crown corporations;
  - STC transportation routes in the province;
  - First Nations and Métis Fund Inc., a venture capital fund focusing on the Aboriginal small business sector; and
  - Saskatchewan Immigrant Investor Fund Inc. (SIIF), a corporation established to participate in the Government of Canada's Immigrant Investor Program (IIP). SIIF uses IIP funds to deliver the HeadStart on a Home program that assists builders and developers in building affordable housing in Saskatchewan communities.

FINANCIAL SUSTAINABILITY

- CIC monitors the financial management of the CIC Crown sector to ensure that financial performance targets are achieved in the current year and that the financial sustainability of the CIC Crown sector is maintained for the future. This includes important functions such as:
  - Ensuring CIC Crown corporations have sufficient capital available to maintain and/or expand existing infrastructure;
  - Examining capital structures of CIC Crown corporations (generally consisting of debt and equity) to maintain financial health; and
  - Forecasting available cash flows over the planning horizon to analyze and advise on future dividend payments to the GRF.
- All decisions that impact financial resources, such as dividends from the CIC Crown sector, dividends to the GRF, or funding of a public policy initiative, are assessed within the context of financial self-sufficiency, while contributing to the Government's priorities for the CIC Crown sector.
- During 2014, CIC's allocation of financial resources included the following:
  - Support of the above-noted public policy initiatives;
  - Declaration and payment of dividends to the GRF of $206.0 million; and
  - Authorizing capital spending plans of subsidiary Crown corporations that resulted in capital expenditures of $1,917.0 million to meet the reinvestment requirements of a growing province.

ENHANCING ACCOUNTABILITY

- CIC continues to advance its financial reporting practices in support of transparency and accountability. Examples of current practices to facilitate accountability include:
  - Quarterly reports for CIC (Consolidated and Separate) and its subsidiary Crowns, available to the public via CIC's website;
  - Disclosure of budget information in the Government's Summary Financial Plan;
  - Detailed disclosure of CIC and its subsidiary Crowns' payments via CIC's website;
  - Within the annual reports, comparisons of CIC's subsidiary corporations' results to business plan targets;
  - Providing internal audit services to certain CIC subsidiary Crown corporations;
  - Requiring CEO/CFO certification of internal controls over financial reporting; and
  - Ensuring appropriate and consistent risk management frameworks for all CIC subsidiary Crown corporations.
- CIC continuously evaluates new standards and leading practices for financial reporting and corporate governance.

CIC has a diverse range of holdings. A key priority for CIC is to manage the capital resources employed within the consolidated group of entities to optimize value in the Crown sector and also provide a return to the Province's GRF.

CIC manages this priority through its capital allocation framework, which is based on two integrated policies. These policies are based on the principle that there are three potential uses for cash flows:

- **Reinvestment** in our businesses to sustain infrastructure and operations, to grow and diversify revenues, and support public policy initiatives and economic development;
- **Debt reduction** to support the financial flexibility of CIC's operations; and
- **Dividends** to the holding company to be used in accordance with the CIC Dividend Policy.

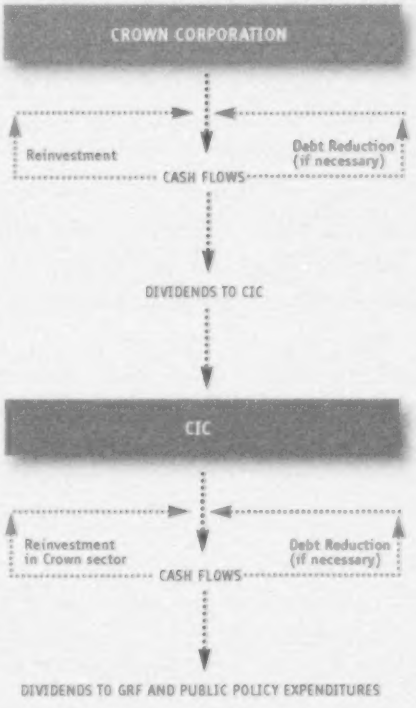
SUBSIDIARY DIVIDEND POLICY

The Subsidiary Dividend Policy focuses on managing capital resources to support the investment needs and business viability of the various business segments over the medium term. The policy ensures that the investments provide a return to Saskatchewan residents in support of programs paid for from the GRF.

Each commercial Crown's ability to pay dividends is determined after the CIC Board allocates a portion of cash profits to reinvestment and debt reduction. The CIC Board has approved debt and capital structure targets for CIC's subsidiaries based on industry benchmarks. Therefore, for subsidiaries that pay dividends, the amount paid is determined in relation to the target capital structure compared to the actual capital structure.

CIC DIVIDEND POLICY

In a similar way, cash paid by subsidiary Crown corporations is used by CIC for reinvestment and dividends to the GRF. CIC, as the holding company, does not have any debt. As well, CIC uses funds to support public policy initiatives.



In 2014, CIC allocated $221.9 million of capital as follows:

REINVESTMENT AND PUBLIC POLICY EXPENDITURES:

- $15.6 million in grant funding to SaskEnergy, STC and Gradworks; and
- $0.3 million to First Nations and Métis Fund Inc. to provide venture capital to qualifying First Nations and Métis businesses.

DIVIDEND:

- GRF dividend of $206.0 million in 2014.

DEBT REDUCTION:

- No funds were used for debt repayment. CIC (separate) does not carry debt.

CIC's ability to pay dividends to the GRF depends mainly on the level of Crown dividends to CIC, less CIC's operating costs. These costs include support to non-dividend paying Crown corporations and public policy expenditures. Crown dividend levels depend on earnings and capital structure. In addition to cash constraints, CIC's ability to declare dividends to the GRF depends on its retained earnings (a company's retained earnings are the aggregate amount of undistributed earnings since its inception). CIC's earnings and hence, dividend capacity outlook, are sensitive to adverse developments in its operating expenditures and Crown earnings forecasts.

CAPITAL STRUCTURES OF SUBSIDIARY CORPORATIONS

The following table summarizes the target capital structure of CIC's subsidiary corporations that declared dividends to CIC in 2014:

	Capital Structure Measure	Capital Structure Target	2014 Actual Capital Structure	2014 Dividend Payout Rate
SaskTel	Debt Ratio	50.0%	52.8%	70.0%
SaskEnergy	Debt Ratio	57.0%	62.6%	38.0%
SGI[1]	Minimum Capital Test	250.0%	227.0%	77.0%
CIC AMI[2]	Cash Availability	At target	At target	N/A
SGC	Debt to EBITDA	25.0%	16.0%	80.0%
SOCO	Debt Ratio	60.0%	15.4%	90.0%

[1] Minimum Capital Test (MCT) is an indicator of financial flexibility used in the insurance industry.
[2] CIC AMI dividend is determined by cash availability and CIC's cash requirements which is not dependent on earnings.

LIQUIDITY

CIC and its subsidiary Crown corporations borrow from the GRF, which in turn borrows in the capital markets. With strong credit ratings, the GRF has ample access to capital for anticipated borrowing requirements.

PROVINCE OF SASKATCHEWAN CREDIT RATINGS

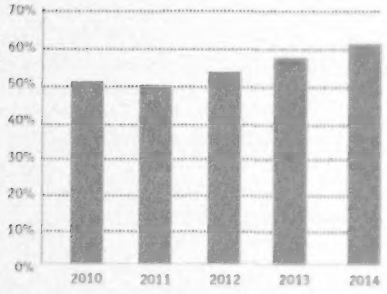
Moody's Investor Service (Moody's)	Aaa
Standard & Poor's (S&P)	AAA
Dominion Bond Rating Service (DBRS)	AA

There are three credit rating agencies in Canada that evaluate and rate the credit worthiness of the Province's sovereign debt. Credit worthiness affects the interest rate at which the Province, including the CIC Crown sector, can borrow. As the credit ratings improve, the interest rates at which the Province can borrow decreases, thereby reducing the costs of borrowing. During 2014, Moody's upgraded the Province of Saskatchewan's credit rating from Aa1 to Aaa. All other credit rating agencies confirmed the Province's credit rating and outlook.

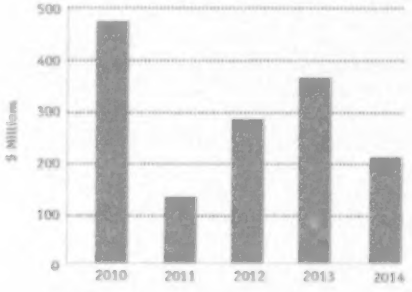
FINANCIAL HEALTH AND DIVIDENDS TO THE GRF

In 2014, and over the last five years, CIC has maintained sustainable debt levels while reinvesting in infrastructure, as well as providing a return to the shareholder.

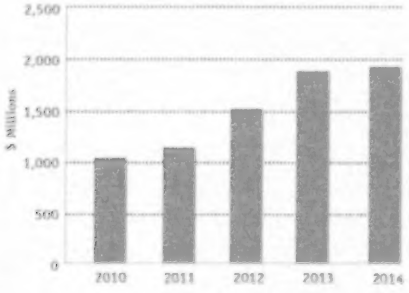
CONSOLIDATED DEBT RATIO



DIVIDENDS DECLARED TO THE GRF



CAPITAL EXPENDITURES



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ANALYSIS OF FINANCIAL RESULTS

The following analysis of CIC's consolidated 2014 financial results should be read in conjunction with the audited consolidated financial statements. While this Management Discussion & Analysis (MD&A) is as complete as possible, CIC is bound by confidentiality agreements with its investment partners. In some cases, these agreements limit the information that CIC can release. For purposes of CIC's consolidated MD&A, "CIC" and "Corporation" refers to the consolidated entity. The Corporation's consolidated financial statements are prepared in accordance with IFRS and, as such, consolidate the results of all of the Corporation's subsidiary corporations.

COMPARISON OF 2014 RESULTS WITH 2013 RESULTS

CONSOLIDATED EARNINGS COMPARISON

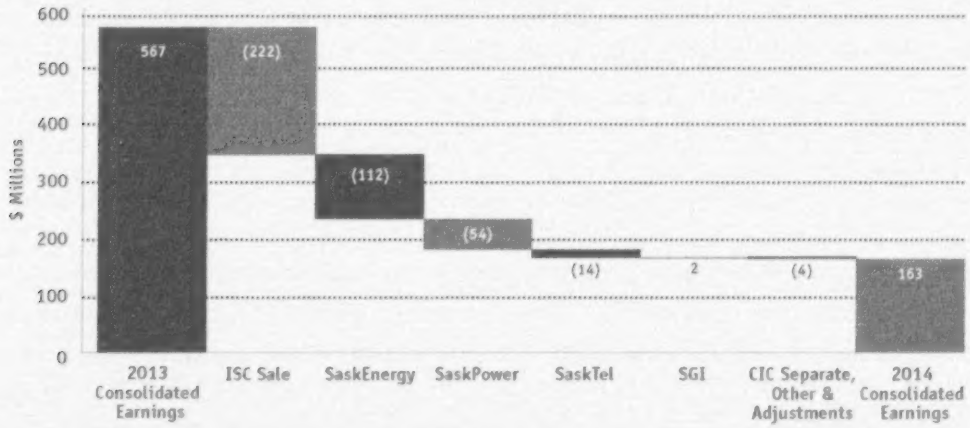
(millions of dollars)

	2014	2013[1]	2012[1]	2011	2010
SaskPower	$ 59.6	$ 113.8	$ 135.5	$ 248.0	$ 203.5
SaskTel	76.4	90.8	106.3	154.0	149.5
SaskEnergy	(33.0)	78.9	106.8	25.5	50.2
SGI	40.7	39.2	82.2	0.4	49.3
SGC	24.9	20.5	26.3	25.9	22.0
CIC AMI	13.0	4.7	(4.3)	35.3	(17.1)
SaskWater	5.5	3.5	3.0	3.5	0.4
SOCO	2.3	2.4	4.3	4.6	6.1
STC	(0.4)	(0.1)	(1.0)	(0.3)	-
SIIF	(4.0)	1.2	(0.2)	1.2	0.4
ISC	-	9.7	21.2	17.2	15.6
CIC (separate)	149.7	330.4	314.0	167.1	236.0
Consolidation Adjustments[2] & Other	(172.0)	(128.1)	(355.5)	(231.5)	(279.6)
Consolidated Earnings	$ 162.7	$ 566.9	$ 438.6	$ 450.9	$ 436.3
Total Assets	$ 16,542.3	$ 15,136.8	$ 13,092.0	$ 11,962.4	$ 11,066.3

[1] Results in 2013 and 2012 have been restated due to a change in revenue recognition policy (Note 3).

[2] Consolidation adjustments reflect the elimination of all inter-entity transactions, such as grants from CIC to Crown corporations, revenues and expenses between Crown corporations and dividends paid by Crown corporations to CIC.

Changes in Consolidated Earnings



COMPARISON OF 2014 RESULTS WITH 2013 RESULTS *(continued)*

Consolidated CIC Crown sector results decreased to $162.7 million in 2014 from $566.9 million in 2013. The $404.2 million decrease in earnings was primarily due to:

- A gain from discontinued operations of $211.8 million in 2013, which related to the sale of 12,075,000 Class A Limited Voting shares of ISC at $14.00 per share and the revaluation of the Corporation's remaining 5,425,000 Class A Limited Voting shares at $14.00 per share;
- A decrease in earnings at SaskEnergy of $111.9 million to a loss of $33.0 million primarily due to an $80.0 million change in unrealized market value adjustments on natural gas derivatives and physical inventory, and system and supply challenges associated with severe cold weather conditions. These challenges included an inability to use pipeline systems from increased demand across Western Canada that drove up gas prices and the use of imported gas from Alberta that led to increased transportation costs. This change was slightly offset by lower net finance expense related to a favourable fair value adjustment on sinking funds;
- A decrease in earnings at SaskPower of $54.2 million to $59.6 million primarily due to a change in the mix of power generation, increased maintenance expense due to the number of overhauls performed at generation facilities and increases in depreciation and amortization and net finance expenses from investing in infrastructure to meet a growing demand. This was partially offset by increased revenue from a rate increase and higher sales volumes to Saskatchewan customers and favourable unrealized market value adjustments in 2014 compared to unfavourable adjustments in 2013; and
- A decrease of earnings at SaskTel of $14.4 million to $76.4 million due to supporting customer growth and enhancing the customer experience through reinvestment in wireless and fibre networks. This was partially offset by an increase in revenues from customer growth and average revenue per user (ARPU). SaskTel's earnings continue to decline due to its regulatory environment, increase in competition, customers substituting wireline with wireless solutions and increased cost to deliver wireless devices.

SIGNIFICANT EVENTS IMPACTING 2014 CONSOLIDATED RESULTS

During 2014, the following significant events impacted the Corporation's consolidated results:

1. **Unrealized Market Value Adjustments (Note 8(b) to the consolidated financial statements)**
   The natural gas price volatility that was experienced in 2014 resulted in significant fluctuations in the fair value of derivative financial assets and derivative financial liabilities. These fluctuations resulted in unrealized losses of $91.0 million in the Corporation. The significant adjustment is due to a larger number of forward gas contracts outstanding at the end of 2014 at a large price differential.

2. **Actuarial Gains on Defined Benefit Plans (Note 30 to the consolidated financial statements)**
   Due primarily to changes in actuarial assumptions and the resulting impacts on the Corporation's defined benefit plan obligations, the Corporation recorded $162.8 million in other comprehensive losses ($2013 - $431.9 million income).

ACCOUNTING POLICY DEVELOPMENTS IMPACTING FUTURE CONSOLIDATED RESULTS

As disclosed in Note 4(u) to the consolidated financial statements, a number of new standards, and amendments to standards and interpretations, are not yet effective for the year ended December 31, 2014, and have not been applied in preparing the consolidated financial statements. Note 4(u) includes management's assessment of the potential impacts on the consolidated financial statements known at this time.

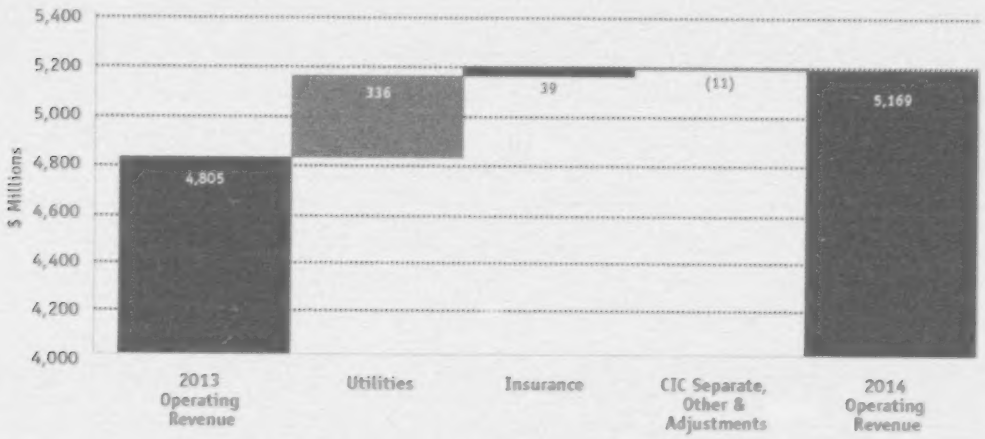
ANALYSIS OF 2014 CONSOLIDATED REVENUES AND EXPENSES

OPERATING INCOME

Total revenue was $5,174.8 million (2013 - $4,819.8 million), an increase of $355.0 million. The improvement in operating revenue was accompanied by a $9.1 million decrease in other income.

Operating revenue was $5,169.0 million (2013 - $4,804.9 million). Improved operating revenues from the utility segment and insurance were the primary drivers of the increase.

Changes in Operating Revenue



Utility operating revenue was $4,548.5 million (2013 - $4,212.3 million), an increase of $336.2 million primarily due to the following:

- $200.0 million increase in SaskEnergy operating revenue due to an increase in commodity rate to an average of $4.20 per gigajoule (GJ) from $3.79 per GJ in 2013, the weather being 25.0 per cent colder than normal in 2014 and an increase in gas marketing activity, which attempts to optimize the storage and transportation capacity available to SaskEnergy to earn a positive margin;
- $109.3 million increase in SaskPower operating revenue primarily due to the system-wide average rate increase of 5.5 per cent that became effective January 1, 2014, combined with an increased power usage in Saskatchewan driven by growth in all customer categories. These increases were partially offset by a decrease in export revenue from fewer market opportunities in Alberta and an extended outage on the Saskatchewan/Alberta interconnection from ongoing maintenance; and
- $25.3 million increase in SaskTel operating revenue was driven by growth in wireless, *Max*™, Internet and data services from increased data consumption and offering higher speeds. SaskTel is experiencing growth in IP based services as customers demand more multimedia experiences via their smartphones, televisions, computers and tablets. This is partially offset by customers continuing to shift from wireline phone services to wireless alternatives.

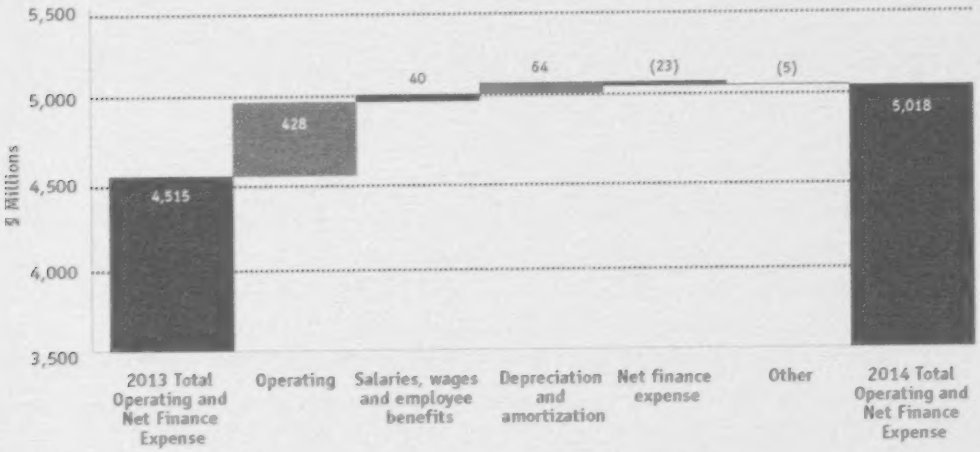
Insurance related operating revenue of $558.2 million (2013 - $518.9 million) increased by $39.3 million as a result of premium growth mainly in Saskatchewan, Alberta and Manitoba.

ANALYSIS OF 2014 CONSOLIDATED REVENUES AND EXPENSES *(continued)*

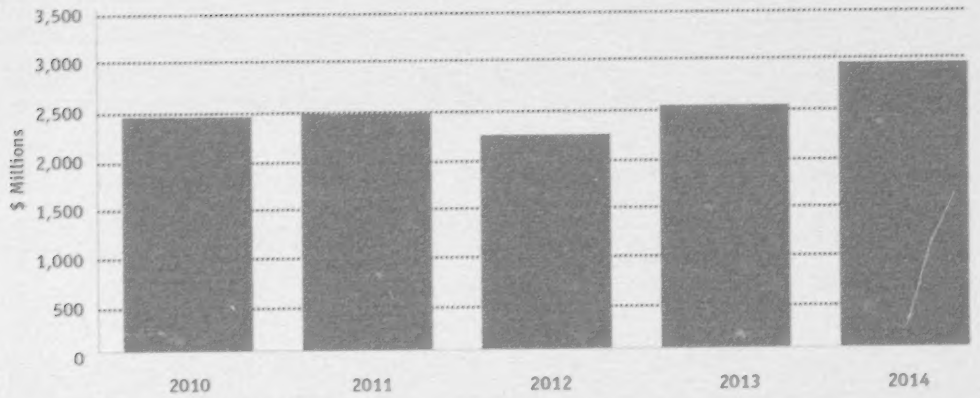
OPERATING EXPENSES AND NET FINANCE EXPENSE

Total operating expenses and net finance expenses were $5,018.3 million (2013 - $4,515.1 million), an increase of $503.2 million from 2013. Higher operating costs, salaries, wages and short-term benefits, depreciation and amortization, impairment losses, and Saskatchewan taxes and fees were slightly offset by a recovery of the provision for decommissioning and environmental remediation and lower net finance expenses.

Changes in Total Operating and Net Finance Expense



Operating Costs



Operating costs increased by $427.9 million to $2,899.4 million (2013 - $2,471.5 million) primarily due to higher insurance and utility-related operating costs.

ANALYSIS OF 2014 CONSOLIDATED REVENUES AND EXPENSES *(continued)*

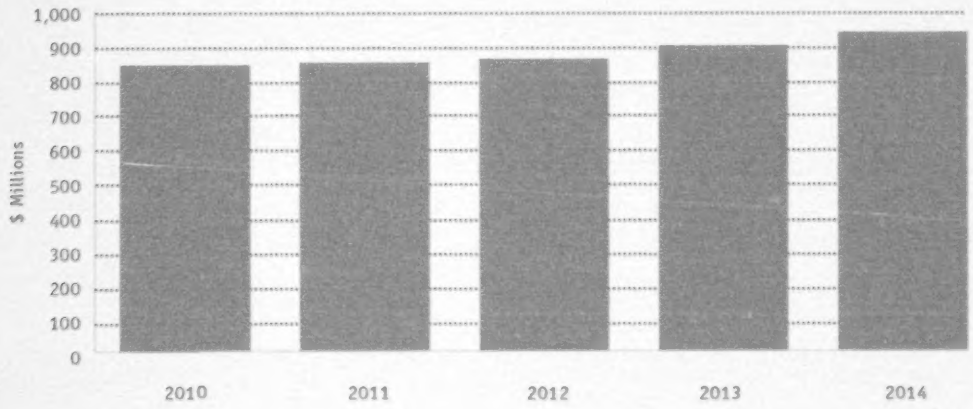
OPERATING EXPENSES AND NET FINANCE EXPENSE *(continued)*

Utility operating costs increased by $415.6 million to $2,478.2 million (2013 - $2,062.6 million), primarily due to:

- $312.0 million increase at SaskEnergy mainly related to a growing customer base, a colder than normal winter, becoming a net importer of natural gas, increase in gas marketing activity that increased costs by $56.0 million, and an unfavourable change in unrealized market value adjustments. Also, there was a higher average cost of natural gas sold, which increased to $4.09 per GJ in 2014 compared to $3.82 per GJ in 2013; and
- $99.3 million increase at SaskPower related to increased fuel and purchased power costs from increased generation and an unfavourable change in the fuel mix as lower cost coal generation was replaced with more expensive natural gas generation and power purchase agreements. Also, SaskPower had major overhauls at generation facilities and maintenance work on transmission and distribution infrastructure caused by summer flooding and wind storm activity.

Operating costs related to insurance activities increased $21.4 million to $475.6 million (2013 - $454.2 million). Claims incurred increased primarily in Saskatchewan due to the highest storm activity in the past ten years. Also, administrative expenses and commissions increased with higher revenue.

Salaries, wages and employee benefits

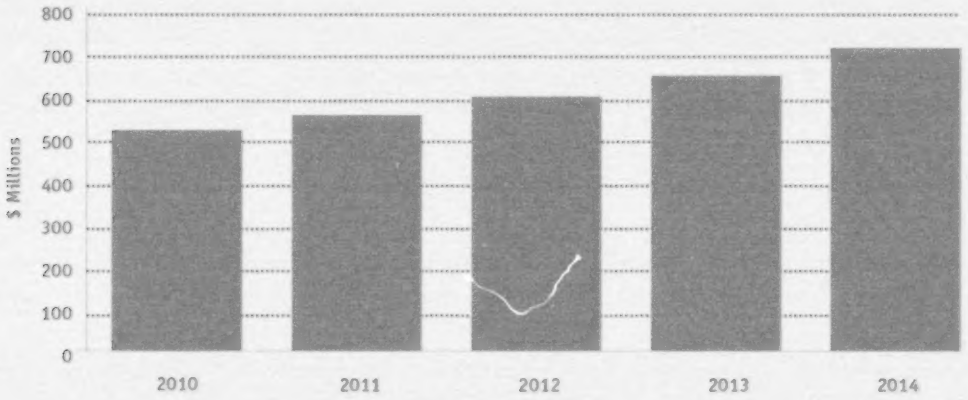


Salaries, wages and short-term employee benefits increased by $36.8 million to $866.3 million (2013 - $829.5 million), an increase of 4.4 per cent in 2014. The increase is primarily due to economic adjustments and merit increases.

ANALYSIS OF 2014 CONSOLIDATED REVENUES AND EXPENSES *(continued)*

OPERATING EXPENSES AND NET FINANCE EXPENSE *(continued)*

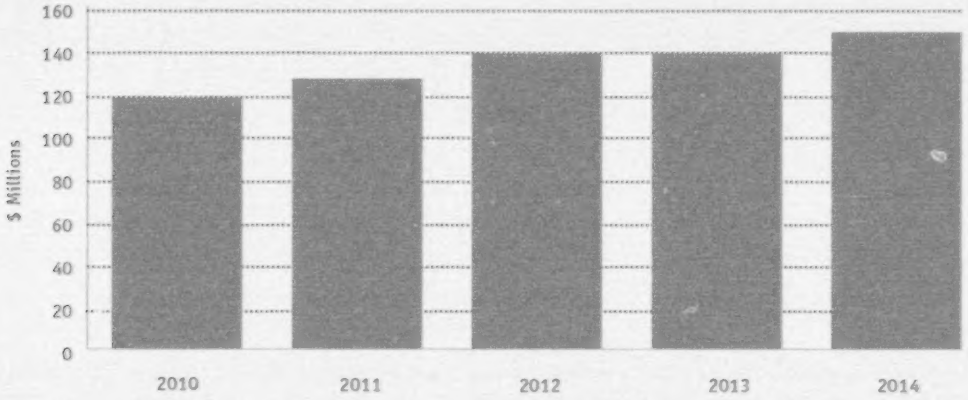
Depreciation and Amortization



Depreciation and amortization increased $64.1 million to $707.1 million (2013 - $643.0 million) primarily due to:

- $34.9 million increase at SaskPower primarily from $1,279.0 million in capital expenditures in 2014 including renewing generation assets, customer connections, increasing capacity on the distribution and transmission systems and the life extension of existing infrastructure and other strategic capital initiatives;
- $22.1 million increase at SaskTel resulting from $282.7 million in capital expenditures in 2014 including fibre to the premises, wireless network upgrades, and investment in customer support systems and wireless spectrum; and
- $6.0 million increase at SaskEnergy primarily from $286.4 million in capital expenditures in 2014 for system expansion and its safety and integrity programming.

Saskatchewan Taxes and Fees

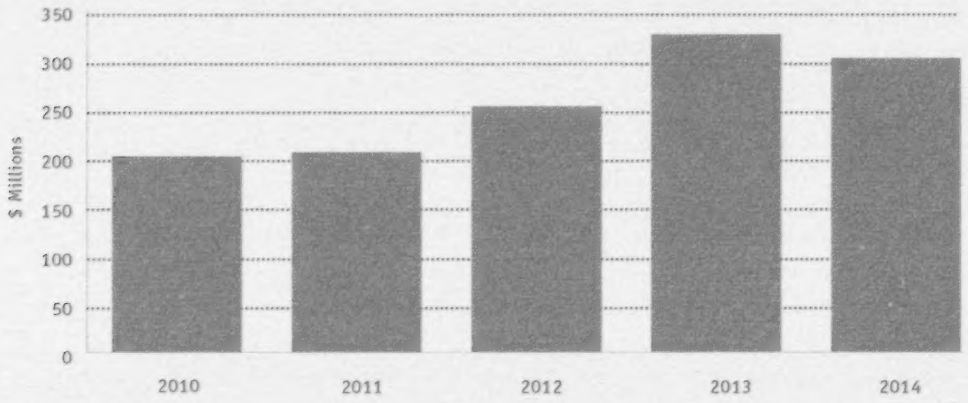


Saskatchewan taxes and fees increased by $10.7 million to $148.3 million (2013 - $137.6 million) primarily due to a $4.0 million increase in Saskatchewan capital taxes as a result of growth in the Corporation's capital tax base and a $4.4 million increase in gaming fees directly resulting from higher net earnings at SGC.

ANALYSIS OF 2014 CONSOLIDATED REVENUES AND EXPENSES *(continued)*

OPERATING EXPENSES AND NET FINANCE EXPENSE *(continued)*

Net Finance Expenses



Net finance expenses decreased $23.4 million to $300.4 million (2013 - $323.8 million) primarily a result of:

- $17.3 million increase in interest income from defined benefit pension plans;
- $9.0 million decrease in net finance expense from the change in the fair value of financial assets at fair value through profit or loss, primarily due to unrealized sinking fund gains; and
- $4.1 million increase in capitalized interest due to higher capital expenditures.

Partially offset by:

- $9.0 million increase related to interest expense on higher debt balances attributed to the Corporation's large capital expenditure program.

Non-Operating Items

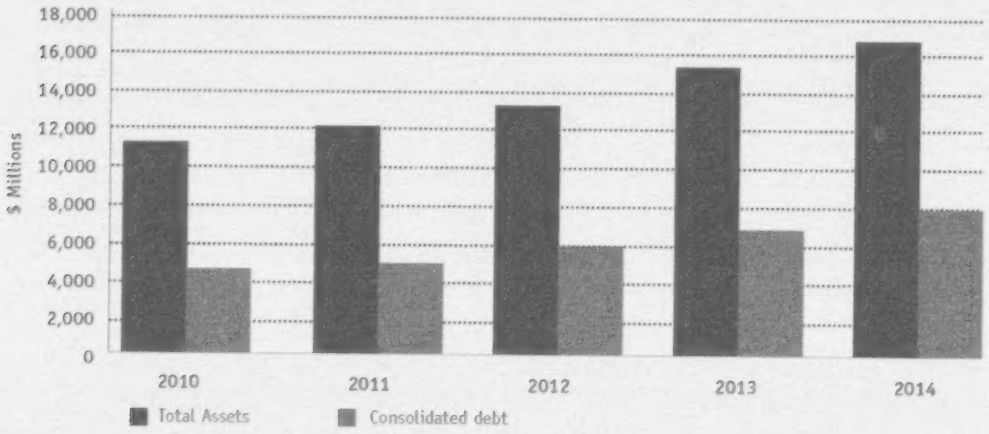
Share of earnings from equity accounted investees decreased by $22.1 million to $6.2 million (2013 - $28.4 million) primarily due to lower equity earnings in ISC.

The loss from discontinued operations in 2014 was $1.0 million (2013 - gain of $224.3 million). The loss from discontinued operations of $1.0 million in 2014 is a result of SGI Canada selling its 75.0 per cent ownership in ICPEI. In 2013, CIC's sale of 69.0 per cent of ISC resulted in a gain on sale of $211.8 million which was primarily responsible for the 2013 result.

Net gain on sale of equity accounted investees in 2014 was $0.9 million (2013 - $9.4 million). The sale of equity accounted investees is due to the continued wind-down of the CIC AMI portfolio. The gain in 2013 included the sale of CIC AMI's largest asset, Meadow Lake OSB Products Inc., for a gain on sale of $8.9 million.

ANALYSIS OF 2014 CONSOLIDATED CAPITAL RESOURCES *(continued)*

CONSOLIDATED DEBT *(continued)*



Debt on a consolidated basis was $7,716.1 million (2013 - $6,624.0 million) or an increase of $1,092.1 million from 2013. The increase is primarily attributed to higher debt at SaskPower ($873.8 million), SaskEnergy ($115.6 million), and SaskTel ($85.6 million). The increase in debt was mainly required to fund a portion of the $1,917.0 million in 2014 capital expenditures. Debt also increased by $29.7 million at SIIF reflecting increased amounts received from the IIP which is restricted for use in Saskatchewan's HeadStart on a Home program as described in Note 9(b) to the consolidated financial statements. Over the last three years, debt has increased $2,006.4 million in support of increased assets of $3,450.3 million.

CAPITAL SPENDING

Capital spending (property, plant and equipment, investment property and intangible asset purchases) increased $43.6 million to $1,917.0 million (2013 - $1,873.4 million). Major 2014 capital expenditures included:

- $1,279.0 million at SaskPower on various capital projects including the Boundary Dam Integrated Carbon Capture and Storage Demonstration Project, renewing other generation assets, customer connections, increasing capacity on the distribution and transmission systems and the life extension of existing infrastructure and other strategic capital initiatives;
- $286.4 million at SaskEnergy for system expansion resulting from growth in Saskatchewan, and a commitment to expand the capacity and continuing its safety and integrity programming;
- $282.7 million at SaskTel on fibre to the premises, wireless network upgrades, and intangible assets such as customer support systems and spectrum; and
- $81.2 million at SaskWater from new and ongoing major capital projects for the potash industry.

Investment purchases were $1,021.3 million (2013 - $1,268.4 million), a $247.1 million decrease from 2013 primarily due to:

- $221.4 million decrease in purchases by SGI as a result of efforts to manage its investment portfolio mix during the year; and
- $53.6 million decrease at CIC AMI primarily due to no investment purchases in 2014 compared to its investment in 2013 for bonds to better match the anticipated cost of inflation on the environmental liabilities.

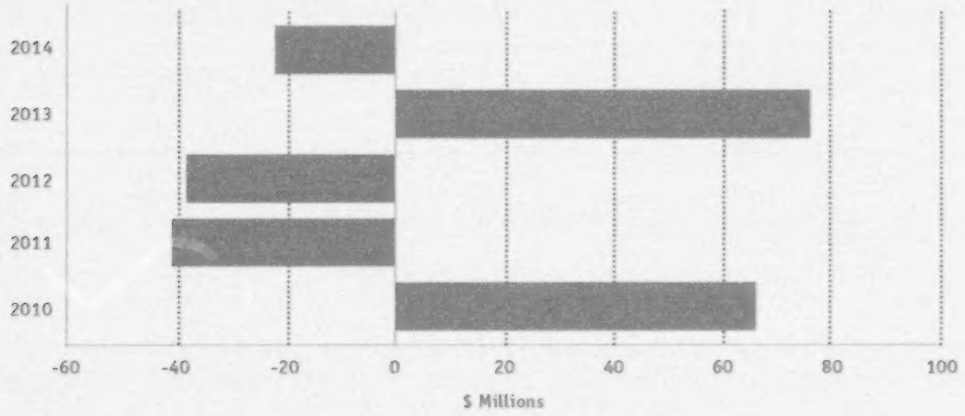
Partially offset by:

- A $33.3 million increase in purchases by SIIF primarily from $30.0 million in term deposits.

ANALYSIS OF 2014 CONSOLIDATED CAPITAL RESOURCES *(continued)*

OPERATING, INVESTING AND FINANCING ACTIVITIES

Net Change in Cash and Cash Equivalents



Cash Flow Highlights
(millions of dollars)

	2014	2013
Net cash from operations	$ 967.0	$ 1,114.8
Net cash used in investing activities	(1,893.6)	(1,498.1)
Net cash (used in) from financing activities		
Dividends paid	(206.0)	(361.4)
Equity advances repaid to GRF	-	(143.0)
Debt proceeds received	1,260.2	759.8
Debt repaid	(68.6)	(162.6)
Change in notes payable	(108.4)	322.4
Other financing activities	27.5	43.9
Change in Cash	$ (21.9)	$ 75.8

Cash from operations decreased by $147.8 million to $967.0 million (2013 - $1,114.8 million). The decrease is primarily a result of:

- A decrease in earnings of $404.1 million;
- $77.4 million increase in interest paid from increased borrowing; and
- $54.8 million decrease in net change in non-cash working capital balances.

Partially offset by:

- $369.9 million increase in adjustments to reconcile earnings to cash provided by operating activities (see details in Note 31 to the audited consolidated financial statements); and
- $18.6 million decline in net cash outflows provided by discontinued operations.

Cash used in investing activities increased $395.5 million to $1,893.6 million (2013 - $1,498.1 million) primarily due to:

- Decreased proceeds for sale and collection of investments of $668.5 million, mostly due to the turnover in SGI's investment portfolio and net proceeds from the sale of ISC shares of $156.2 million in 2013; and
- $43.6 million increase in purchases of capital assets primarily from SaskPower, SaskTel and SaskEnergy.

ANALYSIS OF 2014 CONSOLIDATED CAPITAL RESOURCES *(continued)*

OPERATING, INVESTING AND FINANCING ACTIVITIES *(continued)*

Partially offset by:

- $247.1 million decrease in investment purchases primarily a result of the turnover in SGI's investment portfolio; and
- A decrease in restricted cash of $9.7 million compared to an increase in 2013 of $53.0 million.

Net cash from financing activities was $904.8 million (2013 - $459.1 million). The $445.7 million increase in cash inflows is primarily due to:

- $500.4 million increase in debt proceeds from increased capital asset purchases;
- $94.0 million decrease in debt repayments;
- $143.0 million decrease in equity advances repaid to the GRF; and
- $155.4 million decrease in dividends paid to the GRF.

This is partially offset by a decrease in net proceeds from notes payable of $430.9 million compared to 2013.

COMPARISON OF 2014 RESULTS WITH BUDGET

(millions of dollars)

	2014 Earnings		2014 CIC Dividends	
	Budget	Actual	Budget	Actual
SaskPower	$ 26.9	$ 59.6	$ -	$ -
SaskTel	59.2	76.4	53.3	53.3
SaskEnergy	62.2	(33.0)	23.6	17.5
SGI	29.7	40.7	23.0	31.6
SGC	25.2	24.9	20.2	19.9
CIC AMI	(2.5)	13.0	45.0	45.0
SaskWater	3.7	5.5	-	-
SOCO	2.8	2.3	2.5	2.0
STC	(0.3)	(0.4)	-	-
SIIF	0.9	(4.0)	-	-
CIC (separate), Other[1], Adjustments[2]	(45.8)	(22.3)	4.3	4.3
Totals	$ 162.0	$ 162.7	$ 171.9	$ 173.6

[1] The Corporation receives dividends from ISC for its 31.0 per cent equity share.

[2] Included in CIC (separate), Other, Adjustments is the elimination of all inter-entity transactions, such as grants from CIC to Crown corporations, revenues and expenses between Crown corporations and dividends paid by Crown corporations to CIC.

The preceding table shows results for the commercial Crown corporations in 2014 in comparison to business plan targets. Consolidated earnings for 2014 of $162.7 million were $0.7 million higher than budgeted earnings of $162.0 million. Dividends to CIC in 2014 of $173.6 million were $1.7 million above budgeted dividends of $171.9 million. Dividend revenue is directly proportionate to the earnings of the dividend paying Crown corporations. Accordingly, the dividend variances reported for all subsidiaries mainly related to favourable or unfavourable actual versus budgeted earnings impacts. Earnings variances are explained as follows:

- SaskPower earnings were $32.7 million higher than budget primarily due to higher Saskatchewan electricity sales due to growth in the province and expenses related to delayed in-service dates for capital expenditures, partially offset by an impairment on the Advanced Metering Infrastructure meters and unrealized market value losses;
- SaskTel earnings were $17.2 million higher than budget due to lower expenses from cost containment initiatives, more SaskTel employees were used for capital projects, reduced depreciation and amortization due to timing of capital expenditures and a favourable market value adjustment on sinking funds;

ANALYSIS OF 2014 CONSOLIDATED REVENUES AND EXPENSES *(continued)*

OPERATING EXPENSES AND NET FINANCE EXPENSE *(continued)*

Non-Operating Items *(continued)*

The following table illustrates the disclosure of these items in the Corporation's 2014 consolidated financial statements:

(millions of dollars)	2014	2013
Non-Operating Items		
Earnings from operations	$ 156.6	$ 304.8
Share of earnings from equity accounted investees	6.2	28.4
(Loss) gain from discontinued operations	(1.0)	224.3
Gain on sale of equity accounted investees	0.9	9.4
Consolidated Earnings	$ 162.7	$ 566.9

ANALYSIS OF 2014 CONSOLIDATED CAPITAL RESOURCES

CONSOLIDATED DEBT

The Corporation closely monitors the debt levels of its subsidiaries, utilizing the debt ratio as a primary indicator of financial health. The debt ratio measures the amount of debt in a corporation's capital structure. The Corporation uses this measure in assessing the extent of financial leverage and in turn, financial flexibility for its subsidiary Crown corporations. Too high a ratio relative to target, which is determined according to industry standards, indicates a debt burden that may impair a corporation's ability to withstand downturns in revenues and still meet fixed payment obligations.

The ratio is calculated as net debt divided by capitalization at the end of the year.

The Corporation reviews the debt ratio targets of all its subsidiary Crown corporations on an annual basis to ensure comparability with industry standards. This review includes subsidiary Crown corporations' plans for capital spending. The target debt ratios for subsidiary Crown corporations are approved by the Board of Directors. The Corporation uses targeted debt ratios to compile a weighted average debt ratio for the Crown sector. The target ratio for 2014 was 57.1 per cent. The Corporation is above its targeted debt ratio due to its large infrastructure projects at SaskPower, SaskTel and SaskEnergy.

For further information on the Corporation's approach to capital management, please refer to Note 24 of the audited consolidated financial statements.

The following table shows the Corporation's consolidated debt level and debt ratio:

	2014	2013[1]	2012[1]	2011	2010
Consolidated debt	$ 7,716.1M	$ 6,624.0M	$ 5,709.7M	$ 4,772.1M	$ 4,440.9M
Consolidated debt ratio	60.1%	56.3%	52.5%	48.6%	49.7%

[1] Results in 2013 and 2012 have been restated due to a change in revenue recognition policy (Note 3).

COMPARISON OF 2014 RESULTS WITH BUDGET *(continued)*

- SaskEnergy earnings were $95.2 million below budget primarily due to $80.0 million in unrealized market value losses. Also contributing to the variance was system and supply challenges from a cold winter across Western Canada. However, SaskEnergy pays dividends to CIC based on operating earnings, which were $47.0 million in 2014;
- SGI earnings were $11.0 million above budget primarily due to strong investment returns on both equities and fixed income investments;
- SGC earnings were $0.3 million lower than budget due to lower slot, food and beverage revenue mostly offset by increased table game revenue and cost containment initiatives;
- CIC AMI earnings were $15.5 million higher than budget primarily due to a recovery on the provision for environmental liabilities;
- SaskWater earnings were $1.8 million higher than budget primarily as a result of favourable market value adjustments on sinking funds;
- SOCO earnings were $0.5 million lower than budget primarily due to higher vacancy rates in the technology parks; and
- SIIF earnings were $4.9 million lower than budget primarily due to the loan loss provision and the impact of lower than budgeted premiums on debt due to the Government of Canada.

A CLOSER VIEW OF CIC'S HOLDINGS

The Corporation is involved in a broad array of industries through various forms of investment. A number of investments are held as wholly-owned subsidiaries, while others are joint ventures and partnerships held through CIC's wholly-owned subsidiaries.

INVESTMENT	MAJOR BUSINESS LINE
	Utilities:
Saskatchewan Power Corporation (SaskPower)	Electricity
Saskatchewan Telecommunications Holding Corporation and Saskatchewan Telecommunications (collectively SaskTel)	Telecommunications
SaskEnergy Incorporated (SaskEnergy)	Natural Gas Storage and Delivery
Saskatchewan Water Corporation (SaskWater)	Water and Wastewater Management
	Insurance:
Saskatchewan Government Insurance (SGI)	Property and Casualty
	Entertainment:
Saskatchewan Gaming Corporation (SGC)	Gaming
	Investment and Economic Growth:
CIC Asset Management Inc. (CIC AMI)	Investments
Saskatchewan Opportunities Corporation (SOCO)	Research Parks
Saskatchewan Immigrant Investor Fund (SIIF)	Construction Loans
	Transportation:
Saskatchewan Transportation Company (STC)	Passenger and Freight Transportation

Profiles of material subsidiary corporations are included in this section. Each subsidiary Crown corporation prepares an annual report, which is tabled in the Legislative Assembly. These annual reports can be found through CIC's website at www.cicorp.sk.ca.

The data on the following page illustrates the importance of the utility and insurance business segments to the financial results of the Corporation. Of these corporations, SaskPower, SaskTel, SaskEnergy and SGI are the most significant in terms of assets, liabilities, and operating earnings generated.

SEGMENTED INFORMATION

TOTAL ASSETS BY BUSINESS SEGMENT

TOTAL ASSETS BY CORPORATION

(millions of dollars)	Utilities		Entertainment		Insurance		Transportation		Investment & Economic Growth		Other & Adjustments[1]		Total	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
Statement of Income for the year ended December 31														
Total revenue	4,554	4,230	128	127	562	519	16	16	43	45	(128)	(118)	5,175	4,819
Operating expenses & other	(4,098)	(3,564)	(102)	(105)	(567)	(539)	(16)	(16)	(32)	(52)	97	86	(4,718)	(4,190)
Net finance (expenses) income	(350)	(382)	(1)	(1)	47	56	-	-	-	-	4	3	(300)	(324)
Earnings (loss) before the following:	106	284	25	21	42	36	-	-	11	(7)	(27)	(29)	157	305
Share of net earnings from equity accounted investees	2	3	-	-	-	-	-	-	(1)	5	5	20	6	28
Gain from discontinued operations	-	10	-	-	(1)	3	-	-	-	-	-	212	(1)	225
Net gain (loss) on sale of equity accounted investees	-	-	-	-	-	-	-	-	1	9	-	-	1	9
Earnings (loss)	108	297	25	21	41	39	-	-	11	7	(22)	203	163	567
Statement of Financial Position as at December 31														
Current assets	1,092	1,086	11	12	477	447	4	4	188	267	289	279	2,061	2,095
Investments & other	726	601	-	-	682	650	-	-	122	95	97	96	1,627	1,442
Capital assets[2]	12,621	11,342	62	67	30	33	36	36	168	176	(63)	(54)	12,854	11,600
	14,439	13,029	73	79	1,189	1,130	40	40	478	538	323	321	16,542	15,137
Current liabilities	2,699	2,601	22	29	626	581	4	3	29	22	(59)	(76)	3,321	3,160
Long-term debt	6,071	4,895	2	3	-	-	-	-	224	202	-	-	6,297	5,100
Finance lease obligations	1,130	1,131	7	6	-	-	-	-	-	-	-	-	1,137	1,137
Other	904	642	-	-	258	254	30	30	48	64	(63)	(66)	1,177	924
	10,804	9,269	31	38	884	835	34	33	301	288	(122)	(142)	11,932	10,321
Province's equity	3,635	3,760	42	41	305	295	6	7	177	250	445	463	4,610	4,816
	14,439	13,029	73	79	1,189	1,130	40	40	478	538	323	321	16,542	15,137
Statement of Cash Flows for the year ended December 31														
Operating activities														
Ongoing operations	907	1,062	33	26	45	47	-	-	4	10	(20)	(10)	969	1,135
Discontinued operations	-	(3)	-	-	(2)	1	-	-	-	-	-	(18)	(2)	(20)
	907	1,059	33	26	43	48	-	-	4	10	(20)	(28)	967	1,115
Investing activities														
Capital asset purchases[2]	(1,902)	(1,852)	(2)	(7)	(4)	(6)	(3)	(3)	(6)	(6)	-	-	(1,917)	(1,874)
Other	(1)	9	-	-	(33)	47	-	-	22	(19)	35	339	23	376
	(1,903)	(1,843)	(2)	(7)	(37)	41	(3)	(3)	16	(25)	35	339	(1,894)	(1,498)
Financing activities														
Debt proceeds	1,233	690	-	-	-	-	-	-	27	70	-	-	1,260	760
Debt repayments	(61)	(161)	(8)	(2)	-	-	-	-	-	-	-	-	(69)	(163)
Dividends paid	(108)	(105)	(17)	(20)	(31)	(58)	-	-	(46)	(40)	(4)	(139)	(206)	(362)
Equity (repaid) received	-	-	(4)	-	-	-	-	-	(37)	(45)	41	(98)	-	(143)
Other	(80)	369	-	-	-	(2)	4	4	-	3	(4)	(7)	(80)	367
	984	793	(29)	(22)	(31)	(60)	4	4	(56)	(12)	33	(244)	905	459
Change in Cash	(12)	9	2	(3)	(25)	29	1	1	(36)	(27)	48	67	(22)	76

[1] Other and adjustments includes the operations of CIC (separate) and consolidation elimination entries.
[2] Capital assets include property, plant and equipment, investment property and intangible assets.

SaskPower

In 2014, SaskPower invested $1.3 billion in Saskatchewan's electrical system for our power future.

COMPARISON OF 2014 RESULTS WITH 2013 RESULTS

- Earnings of $59.6 million (2013 - $113.8 million) decreased primarily due to higher fuel, purchased power, operating, and capital-related expenses.
- Revenue of $2,157.6 million (2013 - $2,045.3 million) increased largely due to higher Saskatchewan electricity sales resulting from the system-wide average rate increase of 5.5 per cent that became effective January 1, 2014. Electricity sales volumes to Saskatchewan customers were 21,389 GWh, up 636 GWh or 3.0 per cent compared to the prior year. Exports, trading, and earnings from equity investments were down largely due to lower Alberta Power Pool prices which limited SaskPower's opportunities to export or trade in that jurisdiction.
- Expenses of $2,114.4 million (2013 - $1,878.1 million) increased due to rising fuel and purchased power costs as a result of higher coal and natural gas prices. Operating, maintenance and administration costs were up as a result of increased maintenance expense due to the number of overhauls performed at generation facilities, as well as the impact of severe weather. Capital-related expenses, including depreciation, finance charges, taxes, and other losses, increased as a result of SaskPower's capital program.
- SaskPower recorded $16.4 million in unrealized market value gains in 2014 (2013 - $53.4 million net losses). The unrealized market value gains represent the change in the market value of SaskPower's outstanding natural gas hedges, electricity contracts and sinking funds.
- Gross long-term and short-term debt, including finance leases of $6,383.5 million (2013 - $5,508.8 million), increased due to additional borrowings during the year to finance capital expenditures.
- SaskPower invested $1,279.0 million (2013 - $1,318.5 million) in various capital projects including the Boundary Dam Integrated Carbon Capture and Storage Demonstration Project (ICCS Project), renewing other generation assets, customer connects and the life extension and growth of transmission and distribution infrastructure.
- The debt ratio of 73.1 per cent (2013 - 69.8 per cent) increased as a result of the increased borrowings during the year.
- Return on equity of 2.7 per cent (2013 - 5.6 per cent) decreased due to lower earnings and actuarial losses on SaskPower's defined benefit pension plan.

KEY FINANCIAL DATA	2014 Actual	2014 Bus. Plan	2013 Actual	2012 Actual	2011 Actual	2010 Actual
Earnings	$ 59.6M	$ 27.0M	$ 113.8M	$ 135.5M	$ 248.0M	$ 203.5M
Operating earnings	$ 43.2M	$ 27.0M	$ 167.2M	$ 129.4M	$ 238.7M	$ 222.5M
Dividend declared to CIC	Nil	Nil	Nil	$ 120.0M	Nil	Nil
Total assets	$9,674.5M	$9,448.7M	$ 8,604.4M	$ 6,969.2M	$ 6,281.7M	$ 5,698.8M
ROE	2.7%	1.3%	5.6%	6.8%	13.7%	12.3%
Debt ratio	73.1%	74.6%	69.8%	67.1%	63.0%	63.0%

COMPARISON OF 2014 RESULTS WITH BUDGET

- Operating earnings were $16.2 million above the budget of $27.0 million primarily due to increased Saskatchewan electricity sales.
- Revenues were $13.4 million higher than the budget of $2,144.1 million as a result of increased Saskatchewan electricity sales due to higher sales volumes.
- Expenses were $2.8 million lower than the $2,117.1 million budget primarily due to a decrease in capital related expenses - including depreciation, finance charges, taxes, and other losses - as a result of the delayed in-service dates for the ICCS Project. These decreases were offset by higher fuel and purchased power costs as well as an increase in other losses due to an impairment loss on Advanced Metering Infrastructure meters.

2015 OUTLOOK

- Operating earnings are expected to increase in 2015 to $82.1 million largely as a result of higher revenues. Saskatchewan electricity sales are expected to increase due to the system-wide average rate increase of 3.0 per cent that became effective January 1, 2015, as well as an increase in domestic demand. Other revenue is also expected to increase due to carbon dioxide (CO_2) sales.
- This increase in revenues is expected to be partially offset by higher expenses. Capital-related expenses, including depreciation, finance charges, taxes, and other losses, are expected to increase as a result of capital investments made in recent years. Fuel and purchased power costs are expected to decrease due to lower natural gas prices. Operating costs are expected to decrease due to a reduction in controllable spending and through vacancy management.
- SaskPower plans to continue making significant investments in its generation, transmission and distribution infrastructure, with anticipated capital expenditures of approximately $1.2 billion in 2015.

KEY ENTERPRISE RISKS, MITIGATIONS AND ACTION PLANS

- SaskPower's asset maintenance is critical to infrastructure reliability, system security and availability. By assessing critical asset risk and developing a responsive asset management plan, SaskPower is able to optimize capital spending and manage its assets efficiently and effectively.
- SaskPower may be subject to criminal or malicious attacks, both in cyber and physical ways, potentially resulting in disruption of business operations and services and loss of or damage to information, facilities and equipment. SaskPower maintains industry standard policies, processes and technical safeguards to ensure only authorized access and use of its information systems and corporate assets.
- SaskPower has identified the need to invest significant amounts of capital in long-term projects to ensure continuing reliability; maintain, upgrade and expand infrastructure; and meet emerging environmental requirements. SaskPower is reviewing its project management practices to further incorporate an enterprise risk management approach and to identify improvements in process safety management, strategic procurement, and contract management.

KEY OPERATIONAL DATA	2014	2013	2012	2011	2010
Total customer accounts	511,941	500,879	490,611	481,985	473,007
Gross electricity supplied (gigawatt hours)	23,424	23,155	22,129	21,611	20,759
Available generating capacity (net megawatts)	4,181	4,281	4,104	4,094	3,982
Annual peak load (net megawatts)	3,561	3,543	3,314	3,195	3,162
Power lines (kilometres)[1]	155,808	152,642	152,133	152,842	151,467
Permanent full-time employees	3,099	3,008	2,830	2,701	2,727

[1] In 2014, power lines reflect total circuit lines. This change in methodology is reflected in 2010-2013 to be consistent with 2014.

SaskTel

For SaskTel, communication is about community - people who make a difference. It's about being a part of something bigger. It's about SaskTel connecting with you - and then connecting you with your world.

COMPARISON OF 2014 RESULTS WITH 2013 RESULTS

- SaskTel has again been named one of the Top 100 Employers in Canada, one of Canada's Greenest Employers, one of Canada's Top Employers for Young People and one of Canada's Best Diversity Employers by MediaCorp Canada Inc. SaskTel was also again ranked number one in overall customer service among full service wireless carriers. In addition, SaskTel was recognized by the Saskatchewan Association of Rehabilitation Centres with the 2014 Employer of Excellence Award.
- SaskTel's communication services continue to expand throughout the province with over 1.4 million customer connections. During 2014, SaskTel continued expansion of Fibre to the Premises (FTTP), a program to provide broadband access to the province, as well as upgrades and expansion of the wireless network, the largest in Saskatchewan.
- Earnings for the year were $76.4 million (2013 - $90.8 million), down $14.4 million from 2013, and cash provided by operating activities was $271.0 million (2013 - $275.2 million).
- Total operating revenues increased to $1,231.0 million in 2014 (2013 - $1,205.7 million), up $25.3 million or 2.1 per cent from 2013 primarily due to continued strong customer growth in *maxTV*™, wireless, Internet and data services as well as an increase in the ARPU for these services.
- Total operating expenses were $1,133.7 million (2013 - $1,092.0 million), up $41.7 million from 2013 primarily due to increased goods and services purchased to support revenue growth in wireless, *maxTV*™, data and internet revenues. In addition, depreciation and amortization increased $24.6 million due to increased plant in service.
- Net financing expense decreased to $22.6 million in 2014 (2013 - $37.2 million), down $14.6 million or 39.2 per cent from 2013. This is primarily driven by increases in the fair value of sinking funds.
- Debt increased to $920.1 million (2013 - $834.5 million) due to the issuance of long-term debt during the year, partially offset by reduced short-term borrowings. The overall level of debt increased to support increased investing activities.
- Net capital expenditures for the year are $282.7 million (2013 - $355.8 million), down $73.1 million from 2013. SaskTel's net capital spending on property, plant and equipment in 2014 was $230.0 million, down $48.2 million from 2013 primarily due to planned spending reductions on FTTP and enhancements to the wireless networks. SaskTel's net spending on intangible assets was $52.7 million, down $24.9 million from the same period in 2013 primarily due to decreased spending on Customer Relationship Management and Field Services Efficiency software.

KEY FINANCIAL DATA	2014 Actual	2014 Bus. Plan	2013[1] Actual	2012[1] Actual	2011 Actual	2010 Actual
Earnings	$ 76.4M	$ 59.2M	$ 90.8M	$ 106.3M	$ 154.0M	$ 149.5M
Operating revenue	$1,231.0M	$1,250.1M	$ 1,205.7M	$ 1,182.4M	$ 1,125.8M	$ 1,113.0M
Dividend declared to CIC	$ 53.3M	$ 53.3M	$ 81.1M	$ 84.3M	$ 138.6M	$ 139.7M
Total assets	$2,068.9M	$2,129.6M	$ 1,993.7M	$ 1,793.7M	$ 1,635.2M	$ 1,547.4M
ROE	10.5%	8.5%	14.0%	14.4%	20.7%	20.5%
Debt ratio	52.8%	56.0%	49.1%	43.5%	37.6%	36.1%

[1] 2013 and 2012 figures have been restated due to a change in revenue recognition policy (Note 3).

- Debt ratio of 52.8 per cent (2013 - 49.1 per cent) increased as a result of a net increase in debt partially offset by increased sinking funds and reduced equity as a result of changes to accumulated other comprehensive income.
- Return on equity decreased to 10.5 per cent (2013 - 14.0 per cent) due to lower earnings and an increase in other comprehensive loss in 2014.
- Dividends of $53.3 million were declared in 2014 (2013 - $81.1 million).

COMPARISON OF 2014 RESULTS WITH BUDGET

- Earnings of $76.4 million were $17.2 million higher than budget.
- Operating revenues of $1,231.0 million were $19.1 million lower than budget primarily due to the imposition of the new wireless regulatory framework (Bill C31), lower than expected other services revenue and lower than expected wireless subscribers partially offset by an increase in equipment and data services revenue due to continued customer growth from data usage.
- Expenses of $1,133.7 million were $29.2 million favourable primarily due to cost containment initiatives, favourable salaries and benefits as a result of a higher capitalization rate, and reduced depreciation and amortization due to lower than budgeted plant in service, partially offset by increased direct expenses related to the provision of wireless services.
- Net financing expense of $22.6 million was $13.0 million lower than budget primarily due to increases in the fair value of sinking funds partially offset by increased interest on long-term debt.

2015 OUTLOOK

- SaskTel is targeting earnings of $76.8 million in 2015.
- Revenues from other services and growth initiatives including cellular, Internet and *maxTV*™ services are projected to increase while revenues from local and long distance services are expected to decline. SaskTel forecasts in excess of $1 billion gross revenues for the tenth year in a row.
- Expenses are expected to increase with the largest increases to depreciation and amortization as a result of continued spending on wireless and fibre networks and software projects.
- SaskTel has budgeted approximately $312.8 million on capital expenditures during 2015.

KEY ENTERPRISE RISKS, MITIGATIONS AND ACTION PLANS

- Policy decisions made by the federal government and its agencies continue to increase costs and the complexity of SaskTel's business and reduce profit margins. It is anticipated that these will continue in the future. SaskTel continues to take a proactive, multifaceted approach while participating in their policy reviews.
- To meet customer needs, SaskTel is transforming from a traditional telecom to an Information and Communications Technology (ICT) company. To be successful, SaskTel needs to develop and launch the right products and services and create the right operating environment and business model.
- SaskTel needs the systems and processes in place to deliver future products and services. Transformation is a lengthy and costly process. A future state architecture roadmap, which includes major projects, some of which are already in progress, is in place.
- To remain competitive, maintain market share and increase profitability, SaskTel must evolve its aging infrastructure. As SaskTel transforms, both legacy and new infrastructure need to be supported. Regular prioritization of capital investment and workload will need to occur to ensure the right balance and successful transition.
- With more than 1,600 locations throughout the province, SaskTel faces significant business interruption risk. SaskTel implemented stringent loss prevention programs as well as a Business Continuity Management program to respond to events where critical business functions and processes are disrupted.

KEY OPERATIONAL DATA	2014	2013	2012	2011	2010
Full-time equivalent employees	3,999	4,079	4,031	4,053	4,328
Wireless accesses	618,083	615,694	607,659	594,405	568,904
Wireline accesses	437,486	467,957	492,070	514,351	528,546
Internet (includes *maxTV*™)	258,547	254,873	250,068	246,472	243,054
Max™ subscribers	103,716	101,147	97,262	93,960	85,537

SaskEnergy

Extreme cold weather was the key business driver in 2014, resulting in increased commodity and delivery revenue but also additional costs to mitigate system and supply challenges.

COMPARISON OF 2014 RESULTS WITH 2013 RESULTS

- SaskEnergy experienced a notable year in 2014. The year presented many challenges for the Corporation including system and supply modifications due to the 2013/2014 winter, natural gas price volatility, a storage cavern incident and ground movement related gas leaks. SaskEnergy overcame these challenges with the dedication of hardworking employees and enforcement of the Corporation's risk mitigating processes, ending the year with operating earnings (income before unrealized market value adjustments) of $47.0 million.
- Natural gas and natural gas liquid prices continued to be a factor that can drive significant volatility, as evidenced by the $80.0 million change in unrealized market value adjustments on a year-over-year basis. As a result, SaskEnergy incurred a loss of $33.0 million in 2014 (2013 - $79.0 million earnings). Given the volatility in unrealized market value adjustments, SaskEnergy uses operating earnings to compare performance from period to period.
- Operating earnings of $47.0 million (2013 - $79.0 million) decreased due to the 2013/2014 winter being one of the coldest Saskatchewan experienced in the past 30 years. Typically, such conditions would generate positive results through additional customer natural gas consumption, however; system and supply challenges associated with such conditions led to additional costs.
- Revenues were $1,108.2 million (2013 - $908.1 million) and expenses were $1,105.1 million (2013 - $780.5 million) reflecting higher natural gas prices, weather-related customer consumption and additional transportation costs in 2014.
- Net finance expense decreased to $37.1 million (2013 - $47.1 million) primarily related to favourable fair value adjustment on sinking funds.
- Capital investment totaled $286.4 million (2013 - $223.5 million). The majority of the capital investment was focused on system expansion (a result of Saskatchewan residential and industrial growth as well as changes in natural gas supply) and safety and integrity programming.
- The high level of capital investment also lead to an increase in gross debt to $1,257.4 million (2013 - $1,141.8 million).
- Dividends of $17.5 million (2013 - $30.4 million) were declared to CIC based on operating earnings.

COMPARISON OF 2014 RESULTS WITH BUDGET

- SaskEnergy does not budget market value adjustments, as these adjustments fluctuate and do not necessarily represent the amount that will be realized. Operating earnings of $47.0 million were $15.2 million below budget.

KEY FINANCIAL DATA	2014 Actual	2014 Bus. Plan	2013 Actual	2012 Actual	2011 Actual	2010 Actual
(Loss) earnings	$ (33.0M)	$ 62.2M	$ 78.9M	$ 106.8M	$ 25.5M	$ 50.2M
Operating earnings	$ 47.0M	$ 62.2M	$ 79.0M	$ 72.4M	$ 83.9M	$ 67.7M
Dividend declared to CIC	$ 17.5M	$ 23.6M	$ 30.4M	$ 27.2M	$ 39.1M	$ 48.8M
Total assets	$2,379.6M	$2,313.9M	$2,207.6M	$2,037.1M	$ 1,924.0M	$1,857.8M
ROE	7.0%	8.0%	11.0%	11.0%	13.6%	10.8%
Debt ratio	62.6%	61.1%	58.8%	59.3%	60.3%	58.7%

- Weather throughout 2014 was 9.3 per cent colder than normal, based on weather data for the past 30 years, resulting in additional natural gas sale volumes and delivery revenue. A delay in the approved commodity rate and a higher average cost of gas resulted in lower than anticipated realized margins on commodity sales.
- Lower operating earnings resulted in $17.4 million in dividends to CIC, $6.2 million less than anticipated in the budget.

2015 OUTLOOK

- SaskEnergy's business success results from ensuring its strategic directions continue to evolve in alignment with Crown Sector Priorities.
- SaskEnergy expects to see the pace of Saskatchewan's economy slow to moderate levels in 2015 as commodity prices continue to decline. SaskEnergy plays a vital role in providing key infrastructure for new homes, subdivisions, businesses and industrial facilities. SaskEnergy will focus on being nimble in its approach to meeting new infrastructure requirements in order to facilitate growth.
- The capital investment planned for 2015 is $237.9 million, highlighted by projects related to ensuring a safe and reliable system as well as securing adequate supply to satisfy increased demand for natural gas in the province.
- As Saskatchewan natural gas production declines and while demand for gas grows, SaskEnergy is committed to diversifying access to gas supply. This includes managing current interconnections for importing supply from Alberta, exploring new import options, and pursuing additional associated gas, and flare gas capture, in Saskatchewan.
- SaskEnergy will continue to focus on productivity and efficiency initiatives in all areas of its operations with an additional $5.9 million in efficiency savings targeted for 2015. This brings the five-year realized efficiency savings to over $32.0 million.
- Consistent profitability from operations is expected over the five-year planning horizon, with an income target of $77.5 million in 2015. SaskEnergy remains committed to delivering safe and reliable services to its customers at competitive rates. As a consequence, SaskEnergy's distribution and transmission utilities are expected to maintain relatively stable earnings over the next five years.

KEY ENTERPRISE RISKS, MITIGATIONS AND ACTION PLANS

- SaskEnergy is exposed to the risk of higher costs, delays or even project cancellations due to concerns of landowners and other interest groups. Through various programs and strategies, including stakeholder engagement, Aboriginal consultation, environmental assessments and public awareness, SaskEnergy works proactively with landowners and other interest groups to identify and develop appropriate responses to concerns regarding expansion and development of infrastructure.
- The transition from a net natural gas exporter to a net natural gas importer, a consequence of the substantial decline in natural gas production within Saskatchewan, has added complexity and increased costs for the transmission system to ensure that supply is available when and where needed. This risk is managed through the business planning process, supply and demand forecasting and stakeholder consultation with existing and potential large customers. For the Distribution Utility this also adds complexity from a supply planning perspective that is managed through its gas procurement strategy.
- The safety and reliability of SaskEnergy's distribution and transmission systems is of utmost importance. Some of the primary processes used to mitigate the Corporation's pipeline, facility and operational risk include: system integrity, public awareness and safety programs; employee and operator training; and environmental policies and procedures. The financial impacts of these risks are also mitigated, where possible and appropriate, through insurance.

KEY OPERATIONAL DATA	2014	2013	2012	2011	2010
Total distribution customers	380,768	373,436	365,749	358,363	352,560
Residential average usage (m^3)	3,006	3,020	2,753	2,851	2,856
Distribution pipelines (km)	69,015	68,612	68,212	67,812	67,462
Transmission pipelines (km)	15,174	15,042	14,979	14,797	14,638
Compressor horsepower (HP)	95,660	94,020	92,570	91,420	88,550
Peak day gas flows (Petajoules)	1.42	1.26	1.20	1.09	1.07
Permanent full-time equivalents	987	967	965	939	932

SaskWater

SaskWater has leveraged its focus on safe and reliable water and wastewater services to consistently generate improved financial results over the past five years and position itself for continued growth.

COMPARISON OF 2014 RESULTS WITH 2013 RESULTS

- SaskWater experienced another profitable year with earnings for the year at $5.5 million (2013 - $3.5 million). The improvement in earnings in 2014 over 2013 is largely attributable to a single event. While there were increases and decreases in revenues and expenses year over year, the largest factor is a favourable difference of $2.2 million in unrealized market adjustments on sinking funds. In 2014, an unrealized gain of $1.2 million was recorded, while in 2013 an unrealized loss of $1.0 million was recorded.
- Revenues of $43.9 million (2013 - $42.3 million) increased by $1.6 million. Potable water sales made up the majority of the increase up $0.9 million compared to 2013, due to growth of existing customers and contract rate increases. While non-potable volumes were down 7.1 per cent compared to 2013, revenues increased $0.3 million due to contract provisions and contract rate increases. Services revenue increased $0.4 million, with the majority related to the potash sector project management activities as the Corporation continues through the design stage for a potential customer. Other income decreased $0.1 million relating to the amortization of customer contributions for water infrastructure assets that are now in service.
- Expenses of $38.4 million (2013 - $36.3 million) increased by $2.1 million. Major factors contributing to this increase are bulk water purchases, salary costs, project management related expenses and costs associated with onerous contract provisions. The net effects of the onerous contract provision adjustments from 2013 and 2014 resulted in $0.5 million less expense in 2013.
- Capital spending of $81.2 million (2013 - $36.1 million) increased by $45.1 million. Year-over-year spending on one major new customer's project accounts for $40.5 million of the increase. The remainder relates to new and ongoing construction of capital projects during 2014 for potable and non-potable infrastructure. SaskWater's investment in capital spending, net of customer contributions, was $9.3 million in 2014.
- Debt was $58.8 million (2013 - $63.9 million), a decrease of $5.1 million. The decrease related to higher operating cash flow during the year.
- Total water services volumes were 38.0 million m^3 (2013 - 40.1 million m^3). 2.0 million m^3 of the decrease relates to the year-over-year change is related to industrial customer usage.
- As a result of the lower debt and increased profits for the year the debt ratio is 45.0 per cent (2013 - 52.9 per cent) which represents a decrease of 7.9 percentage points.

KEY FINANCIAL DATA	2014 Actual	2014 Bus. Plan	2013 Actual	2012 Actual	2011 Actual	2010 Actual
Earnings	$ 5.5M	$ 3.7M	$ 3.5M	$ 3.0M	$ 3.5M	$ 0.4M
Total assets	$ 316.4M	$ 327.8M	$ 223.9M	$ 186.4M	$ 179.3M	$ 153.8M
ROE	11.3%	7.7%	8.0%	7.5%	9.4%	1.3%
Debt ratio	45.0%	50.7%	52.9%	53.9%	57.6%	58.5%

COMPARISON OF 2014 RESULTS WITH BUDGET

- Earnings were $1.8 million above budget. SaskWater does not budget for market adjustments on debt retirement funds. During 2014, SaskWater experienced a positive impact of $1.2 million.
- Revenues were $0.5 million greater than the $43.3 million budget. Lower than expected non-potable water usage was offset by higher than anticipated activity in northern management and potable water as well as unanticipated gains and other revenue.
- Expenses were $0.6 million greater than the $37.8 million budget. Bulk water purchases were greater than expected due to higher volumes in areas where the Corporation purchased potable water. Another factor associated with the higher volumes was an increase in utility costs.
- Net finance expense (excluding market adjustments) was $0.5 million lower than budgeted associated with lower than anticipated debt and interest levels from delays in capital expenditures.

2015 OUTLOOK

- SaskWater is looking forward with optimism as communities have been waiting for grant programs to proceed with many capital intensive projects. SaskWater has provided assistance to many of these new and existing customers in completing their applications for the Provincial Territorial Infrastructure Component of the new Building Canada Fund. Based on the success of these applications the Corporation expects to be busy developing the infrastructure required to service these potential customers on into the future. SaskWater has also signed an extension to continue project management work and complete detailed design for a potential potash mine with a go-forward decision to be expected sometime in 2016.
- SaskWater has budgeted total revenues to increase by 3.6 per cent over the 2014 levels as a result of continued growth from municipal potable customers as well as increased industrial water usage.
- Budgeted total expenses and net finance expense will increase in conjunction with increased volumes and capital requirements.
- SaskWater expects to invest $14.7 million, net of customer contributions ($100.8 million including customer contributions), in water and wastewater infrastructure projects in the province.
- A consistent profitability level from operations is expected in 2015. SaskWater also expects to declare dividends to CIC based on those earnings in 2015.

KEY ENTERPRISE RISKS, MITIGATIONS AND ACTION PLANS

- SaskWater's customer base is concentrated primarily in the industrial sector. Changes in market demand can lead to revenue instability resulting in production swings. Mitigation strategies in place include minimum purchase requirements, efficiency programs and cost of service rates. Future action plans include renegotiating legacy contracts and continuing to grow the business.
- The supply of water for human consumption carries a risk of contamination if mitigation strategies are not in place. SaskWater's current mitigation strategies include meeting or exceeding regulatory requirements, undergoing extensive testing and public reporting of water quality and utilizing remote monitoring 24 hours per day, 365 days per year.
- Mechanical failures, accidents, storms and power failures can result in service interruptions. SaskWater's current mitigation strategies include increased asset refurbishment, emergency response plans and vulnerability assessments for facilities. Future action plans include a preventative maintenance program.

KEY OPERATIONAL DATA	2014	2013	2012	2011	2010
Total customer accounts	407	406	402	395	373
Total sales volumes (cubic metres)	38.0M	40.1M	40.7M	35.2M	20.7M
Kilometres of potable and non-potable pipeline	865	876	862	860	850
Full-time equivalent employees	116	112	105	101	95

SGI CANADA

Despite the highest storm claim costs in the past ten years, SGI CANADA posted a solid profit resulting from strong investment earnings and premium growth stemming largely from Saskatchewan and Alberta.

COMPARISON OF 2014 RESULTS WITH 2013 RESULTS

- Despite significant storm claims experienced in Saskatchewan, earnings were $40.7 million compared to $39.2 million posted in 2013. This resulted in a strong return on equity of 13.5 per cent (2013 - 13.5 per cent).
- Premium revenues were $546.0 million (2013 - $493.5 million), with Saskatchewan and Alberta operations accounting for the majority of the premium growth.
- Claims incurred increased to $319.4 million (2013 - $307.9 million) due primarily to severe storm losses in Saskatchewan, which experienced the highest storm activity in the last ten years.
- Investment earnings decreased $9.1 million from 2013 due to lower year-over-year equity market returns; however, equity returns were still positive in 2014. Strong returns were due to capital gains on fixed income investments as interest rates decreased during the year.

COMPARISON OF 2014 RESULTS WITH BUDGET

- Earnings were $11.0 million better than budget, due largely to strong investment returns on both equities and fixed income investments.
- Premium revenues of $546.0 million exceeded the budget by $23.3 million due to growth in Alberta.
- Investment earnings of $48.1 million were $18.4 million ahead of plan led by strong equity and bond results.
- Claims incurred of $319.4 million were $16.5 million or 5.4 per cent higher than budget of $302.9 million. The unfavourable results were due primarily to significant storm claims in Saskatchewan.

KEY FINANCIAL DATA	2014 Actual	2014 Bus. Plan	2013 Actual	2012 Actual	2011 Actual	2010 Actual
Earnings	$ 40.7M	$ 29.7M	$ 39.2M	$ 82.2M	$ 0.4M	$ 49.3M
Dividend declared to CIC	$ 31.6M	$ 23.0M	$ 25.6M	$ 52.0M	Nil	$ 43.5M
Total assets	$ 1,175.3M	$ 1,157.6M	$ 1,120.8M	$ 1,073.6M	$ 981.8M	$ 905.3M
ROE	13.5%	10.0%	13.5%	30.7%	0.2%	19.0%
Minimum capital test[1]	227%	250%	231%	250%	222%	247%

[1] The Minimum Capital Test (MCT) is a capital adequacy test widely used in the insurance industry and indicates capital available to pay claims compared to capital required.

2015 OUTLOOK

- Heading into 2015, SGI CANADA is focused on three critical priorities - improving customer centricity to enhance the overall customer experience, growing its business outside of Saskatchewan to increase scale and spread risk geographically, and improving employee centricity to attract and retain qualified workers.
- SGI CANADA is working on enhancing all aspects of the experience it provides to customers, specifically to provide customers with the ability to do business when, where and how they want, to ensure convenient, efficient and timely access to products and services.
- A focus on growth outside of Saskatchewan is critical to providing a stable and growing dividend to the province. The property and insurance industry in Canada is increasingly competitive, and the gap between leaders and followers is steadily growing. SGI CANADA is pursuing premium growth across all jurisdictions, and is also expanding its geographic footprint westward. The Corporation obtained a licence to sell property and casualty insurance in British Columbia during 2014, and expects to begin writing policies in BC in the latter half of 2015.

KEY ENTERPRISE RISKS, MITIGATIONS AND ACTION PLANS

- On an annual basis, management reviews the key risks faced by SGI CANADA by identifying specific risk events and their potential impact on the Corporation's operations, finances and reputation. Each risk event is rated based on the likelihood of the event occurring and severity of the consequences if it did occur, both before and after the application of potential mitigations. This process results in a risk profile for the Corporation, which is reviewed by the Risk Committee of the Board of Directors annually. SGI's Audit Services department also uses the risk profile in developing its annual work plan, providing an assurance component to SGI's risk management process.
- The top five risks identified relate to: increased competition, scale, strategy, privacy breach, and catastrophic claim losses.
- These risks represent key areas in SGI's strategic plan, and as such, the Corporation has prioritized resources towards key business processes and corporate projects which will mitigate these risks.

KEY OPERATIONAL DATA	2014	2013	2012	2011	2010
Net premiums written	$ 546.0M	$ 493.5M	$ 491.8M	$ 471.6M	$ 428.3M
Number of policies in force	607,916	576,190	580,043	570,957	563,922
Number of claims	102,066	98,786	99,115	102,712	92,294
Permanent full-time employees	1,886	1,858	1,833	1,807	1,826

SGI

The Auto Fund increased its Rate Stabilization Reserve during 2014 due to strong investment earnings resulting from significant fixed income returns combined with solid overall equity market returns.

The Saskatchewan Auto Fund (the Auto Fund) is not a subsidiary Crown corporation. Its results are included in this report because of SGI's administration of the Auto Fund. The results of the Auto Fund are not included in CIC's or SGI's consolidated financial statements.

COMPARISON OF 2014 RESULTS WITH 2013 RESULTS

- The Auto Fund experienced an increase to the Rate Stabilization Reserve of $53.8 million in 2014, compared to $32.3 million in 2013, an improvement of $21.5 million year-over-year, stemming from stronger investment earnings.
- Underwriting results were $45.9 million less than 2013, due primarily to higher overall claim costs resulting from an increase in storm costs, increasing autobody repair labour rates and a unfavourable discount rate used to estimate the future cost of the provision for unpaid claims.
- Investment earnings increased $64.4 million from 2013 as bond yields fell, generating significant capital gains from fixed income investments. Equity market rates were generally lower than 2013 but remained positive, with positive foreign equity returns resulting primarily from a depreciating Canadian currency.
- The Rate Stabilization Reserve increased to $218.1 million in 2014 (2013 - $162.8 million).

COMPARISON OF 2014 RESULTS WITH BUDGET

- The surplus of $53.8 million was $66.4 million better than the budgeted loss of $12.6 million, due primarily to higher investment income.
- Claim costs were $37.1 million (4.7 per cent) higher than budget, resulting in a loss ratio of 96.5 per cent compared to a budgeted loss ratio of 91.2 per cent, due primarily to an unfavourable variance from the discount rate.
- Overall investment earnings were $151.1 million, $104.8 million higher than planned. The investment portfolio experienced a $154.5 million gain compared to budget of $37.0 million, resulting from bond yields falling, generating significant capital gains on fixed income investments and from higher returns on equities, real estate and infrastructure.

KEY FINANCIAL DATA	2014 Actual	2014 Bus. Plan	2013 Actual	2012 Actual	2011 Actual	2010 Actual
Earnings (Deficit)	$ 53.8M	$ (12.6M)	$ 32.3M	$ (11.5M)	$ (142.9M)	$ 92.7M
Total assets	$2,191.1M	$2,044.2M	$1,985.0M	$1,825.0M	$1,711.4M	$1,644.5M
Minimum capital test[1]	69%	52%	58%	51%	60%	126%
Rate stabilization reserve	$ 218.1M	$ 145.6M	$ 162.8M	$ 127.1M	$ 134.3M	$ 271.9M

[1] The Minimum Capital Test (MCT) is a capital adequacy test widely used in the insurance industry and indicates capital available to pay claims compared to capital required.

2015 OUTLOOK

- For 2015, the Auto Fund is focused on three critical priorities - improving customer centricity to enhance the overall customer experience, ensuring financial sustainability and improving employee centricity to attract and retain qualified workers.
- The Auto Fund is working on enhancing all aspects of the experience it provides to customers, specifically to provide customers with the ability to do business when, where and how they want, to ensure convenient, efficient and timely access to products and services. This will include continuing to improve its face-to-face service with a focus on claim handling and other aspects of the experience it provides to customers. The Auto Fund continues to ask its customers for feedback.
- Ensuring financial stability requires regular rate programs as well as a focus on identifying opportunities to keep basic auto insurance rates low. In addition, the Auto Fund is focused on reducing claim costs through investments in traffic safety, as well as managing operating costs.

KEY ENTERPRISE RISKS, MITIGATIONS AND ACTION PLANS

- On an annual basis, management reviews the key risks faced by the Auto Fund by identifying specific risk events and their potential impact on its operations, finances and reputation. Each risk event is rated based on the likelihood of the event occurring and severity of the consequences if it did occur, both before and after the application of potential mitigations. This process results in a risk profile for the Auto Fund, which is reviewed by the Risk Committee of the Board of Directors annually. SGI's Audit Services department also uses the risk profile in developing its annual work plan, providing an assurance component to SGI's risk management process.
- The top five risks identified relate to: strategy, privacy breach, catastrophic claim losses, transfer and acquisition of expertise, and employee engagement and productivity.
- These risks represent key areas in SGI's strategic plan and, as such, the corporation has prioritized resources towards key business processes and corporate projects which will mitigate these risks.

KEY OPERATIONAL DATA	2014	2013	2012	2011	2010
Net premiums written	$ 886.4M	$ 824.5M	$ 781.2M	$ 744.7M	$ 708.4M
Number of licensed drivers	789,596	778,221	761,859	735,527	721,602
Number of claims	108,688	119,425	111,556	114,955	104,721

SaskGaming

In 2014, SGC continued its focus on delivering excellent customer service and achieved an all-time high Mystery Shopper score.

COMPARISON OF 2014 RESULTS WITH 2013 RESULTS

- While SGC continued to operate in a mature gaming market in 2014, its earnings reached $24.9 million ($2013 - $20.5 million), an increase of $4.4 million or 21.5 per cent from 2013.
- Revenues were $128.0 million ($2013 - $127.0 million), an increase of $1.0 million or 0.8 per cent. Both Slots and Table Games revenues showed favourable results over 2013.
- After analyzing customers' feedback, SGC made significant enhancements on the gaming floor by increasing the share of penny slot machines at Casinos Regina and Moose Jaw.
- SGC also introduced Touch Bet Baccarat and added more Touch Bet Roulette terminals during the year.
- Expenses declined $7.7 million or 9.0 per cent to $78.2 million ($2013 - $85.9 million). Operating expenses declined 10.9 per cent, which was partially offset by increases in depreciation as well as flat-financing costs, taxes, and other contractual obligations.
- SGC's Earnings before Interest Taxes Depreciation and Amortization (EBITDA) margin of 50.0 per cent in 2014 increased from 43.3 per cent in 2013 primarily a result of lower direct operating expenses.
- Debt, including finance leases, for 2014 was $10.0 million ($2013 - $20.8 million), down $10.8 million. In 2014, SGC paid off the remaining $3.0 million of its short-term advance and its long-term debt of $6.0 million from the General Revenue Fund. As a result, SGC's debt to EBITDA ratio decreased from 38.0 per cent in 2013 to 16.0 per cent in 2014.
- Capital expenditures in 2014 were $1.9 million ($2013 - $6.6 million), a decrease of $4.7 million. Major projects in 2014 included office renovations, backup generator, and purchase of additional Touch Bet Baccarat terminals. Most of the decrease in capital expenditures is related to the deferral of the annual slot machine replacement.

KEY FINANCIAL DATA	2014 Actual	2014 Bus. Plan	2013 Actual	2012 Actual	2011 Actual	2010 Actual
Earnings	$ 24.9M	$ 25.2M	$ 20.5M	$ 26.3M	$ 25.9M	$ 22.0M
Dividends declared to CIC	$ 19.9M	$ 20.2M	$ 16.4M	$ 21.0M	$ 20.7M	$ 19.4M
Total assets	$ 73.0M	$ 74.5M	$ 78.9M	$ 78.7M	$ 83.0M	$ 83.0M
Debt to EBITDA ratio	16.0%	15.0%	38.0%	29.0%	31.0%	39.0%

COMPARISON OF 2014 RESULTS WITH BUDGET

- Earnings were $0.3 million or 1.2 per cent below the budget of $25.2 million.
- Revenues of $128.0 million were lower than the budget of $134.4 million, primarily due to negative variances of $6.1 million in slot revenues and $1.2 million in food and beverage as well as other revenues. This was offset by increased table game revenues of $0.9 million.
- Expenses were $78.2 million in 2014, which is 6.9 per cent less than budget. The expense savings are primarily due to labour expenses attributing to vacancies, as well as less-than-expected spending in several other categories like professional fees and project expenses.

2015 OUTLOOK

- SGC expects to continue to operate in a mature gaming market, which is characterized by modest growth and increased costs. Gaming revenues may be vulnerable if provincial economic growth is impaired; a decrease in discretionary spending by SGC's customers may impact revenues.
- SGC will continue to focus on delivering excellent guest services and updating product offerings to match guests' expressed desires.
- SGC's 2015 revenues are budgeted at $130.8 million, expenses are budgeted at $78.9 million and earnings are budgeted at $25.9 million.
- Most provinces have launched on-line gaming to capture revenue losses to foreign jurisdictions that are offering eGaming to their provincial residents. A provincially-sanctioned option does not exist for Saskatchewan residents.

KEY ENTERPRISE RISKS, MITIGATIONS AND ACTION PLANS

- SGC mitigates the risk of sustainable earnings by continuing to keep up with industry trends, evolve its Players Club loyalty program and refine its slot and table game product offerings. In 2015, SGC will focus on improving guests' gaming experience by continuing to refine the slot product offering and expanding the electronic roulette and baccarat games.
- SGC has put a full compliance regime in place to effectively meet its regulatory requirements. In 2015, SGC will continue to review its policies and procedures related to the anti-money laundering regulatory changes to ensure compliance. SGC will also assess whether there are any automated software solutions available that can help improve the corporation's compliance regime in a cost effective manner. In addition, SGC will continue to refine its existing internal controls to ensure compliance with all of the regulatory entities it works with.
- SGC mitigates the risk of talent management by focusing on improving employee safety, employee satisfaction and attendance. It also encourages training as well as recruitment and retention of a skilled and representative workforce. An action plan has been developed and will be implemented in 2015 to address issues based on the most recent employee satisfaction survey.

KEY OPERATIONAL DATA	2014	2013	2012	2011	2010
Guest count (thousands)	3,540	3,603	3,625	3,542	3,429
Full-time equivalents	627	690	729	749	707

STC

STC maintained its high level of customer satisfaction with 94 per cent of passengers and 92 per cent of freight customers rating its service as good or excellent.

COMPARISON OF 2014 RESULTS WITH 2013 RESULTS

- STC's ridership decreased 5.3 per cent from 2013, reflecting the continued effects of discontinued routes in neighbouring provinces as well as more recent cuts on the STC network.
- Operating loss before grant funding was $13.6 million (2013 - $13.3 million) an increase of $0.3 million due to an increase property taxes and coach fuel and maintenance costs over 2013.
- CIC provided grants of $14.1 million (2013 - $14.0 million) to cover operating and capital expenditures, including $0.5 million capital funding for structural and mechanical renovations at the Regina Maintenance Facility.
- Operating revenues were $16.6 million (2013 - $16.4 million). The increase is due to growth in express and foreign coach revenues more than offsetting a decrease in passenger revenues during the year.
- Operating expenses of $30.2 million (2013 - $29.8 million) increased primarily due to higher property taxes (due to the end of the Regina Depot abatement) and coach fuel and maintenance costs.
- Capital spending was $3.4 million (2013 - $3.3 million). The increase is due to the renovations at the Regina Maintenance Facility.

COMPARISON OF 2014 RESULTS WITH BUDGET

- Operating loss of $13.6 million, before grant funding, was $0.1 million higher than budgeted primarily due to lower than expected express and passenger revenues and increased fuel prices offset by a reduction in other expenses initiated by a cost savings review.
- Revenues were $0.6 million lower than the $17.2 million budget due to a decrease in express service revenues caused by lower freight volumes and lower passenger revenues due to lower than budgeted ridership.
- Expenses were $0.5 million lower than the $30.6 million budget due to lower agency commissions (caused by reduced revenues) and STC achieving reductions in training, advertising and salary and wages to offset lower revenues. This was mostly offset by higher fuel costs.

KEY FINANCIAL DATA	2014 Actual	2014 Bus. Plan	2013 Actual	2012 Actual	2011 Actual	2010 Actual
Loss	$ (0.4M)	$ (0.3M)	$ (0.1M)	$ (1.0M)	$ (0.3M)	Nil
Operating loss	$ (13.6M)	$ (13.5M)	$ (13.3M)	$ (12.8M)	$ (11.4M)	$ (10.9M)
Operating grant from CIC	$ 10.3M	$ 10.3M	$ 10.5M	$ 9.2M	$ 8.7M	$ 8.4M
Capital grant from CIC	$ 3.3M	$ 3.3M	$ 3.5M	$ 2.3M	$ 2.0M	$ 0.9M
Capital grant - Regina Maintenance Facility	$ 0.5M	Nil	Nil	Nil	Nil	Nil
Passenger loss per mile	$ 2.96	$ 2.69	$ 2.73	$ 2.63	$ 2.44	$ 2.29

2015 OUTLOOK

- STC will maintain its focus of providing safe, affordable and accessible bus passenger and freight services to Saskatchewan. The operating grant is targeted to remain flat at $10.3 million for 2015. STC's capital spending in 2015 will be the completion of renovations at the Regina Maintenance Facility.

KEY ENTERPRISE RISKS, MITIGATIONS AND ACTION PLANS

- The condition of STC's fleet is a critical factor in being able to provide high quality, safe and reliable service. An aging fleet leads to increased maintenance costs and detrimentally affects service reliability. STC maintains its fleet with regularly scheduled service intervals to ensure repairs are conducted in a timely manner and extend the useful life of the fleet.
- Consistent with other employers in Saskatchewan, STC is facing difficulties recruiting and retaining employees in certain key job classifications. STC's ability to provide high quality service to the public is directly attributable to a well-trained, satisfied workforce. STC surveys its workforce annually to ensure staff are satisfied and engaged. Partnerships and participation in job fairs are used to promote STC as an employer of choice.

KEY OPERATIONAL DATA	2014	2013	2012	2011	2010
Communities served	253	284	287	290	290
Miles travelled	2.9M	3.1M	3.1M	3.2M	3.2M
Ridership	261,531	276,113	282,119	288,164	268,335
Full-time equivalents	225	225	225	227	225

For the fifth consecutive year, SOCO was named one of the Best Small and Medium Employers in Canada. This prestigious distinction, awarded by AON Hewitt and the Queen's University School of Business, reflects the continued high engagement levels of the employees that work for SOCO.

COMPARISON OF 2014 RESULTS WITH 2013 RESULTS

- During 2014, SOCO received numerous awards from the Building Owners and Managers Association (BOMA), recognizing the corporation's dedication to developing and operating environmentally friendly facilities. BOMA's Earth Award, which recognizes excellence in resource preservation and environmentally sound commercial management, was awarded to 2 Research Drive in Regina. In addition, SOCO buildings were awarded best in class in two of the four BOMA BESt (Building Environmental Standards) classes. 121 Research Drive in Saskatoon was BESt in Class in Level 4 buildings; and the BESt in Class for Level 3 buildings was a tie between three of SOCO's buildings, The Terrace building in Regina, the Concourse building in Saskatoon and the Forest Centre building in Prince Albert.
- Earnings for 2014 of $2.3 million (2013 - $2.4 million) is substantially unchanged from 2013.
- Overall revenue of $39.4 million (2013 - $40.3 million) is down $0.9 million from 2013. The decrease in revenue is the result of increased vacancy in the parks. Overall vacancy at the end of 2014 was 7.7 per cent reflecting an increase of 3.3 per cent when compared to the vacancy percentage at the end of the prior year.
- The impact of increased vacancy on earnings was offset by the transfer of Bio Processing operations to a third party on April 1, 2014. The net loss incurred in 2014 was $0.1 million, $0.9 million less than the amount incurred in 2013.
- Expenses of $35.6 million (2013 - $35.2 million) increased $0.4 million from 2013. An increase of $0.5 million in operating expenses was partially offset by a $0.1 million decrease in administration expenses.
- Investment in capital assets was $6.2 million in 2014 (2013 - $5.5 million) increasing $0.7 million from 2013.
- Total debt outstanding at year end was $36.7 million, unchanged from the prior year.

KEY FINANCIAL DATA	2014 Actual	2014 Bus. Plan	2013 Actual	2012 Actual	2011 Actual	2010 Actual
Earnings	$ 2.3M	$ 2.8M	$ 2.4M	$ 4.3M	$ 4.6M	$ 6.1M
Dividends declared to CIC	$ 2.0M	$ 2.5M	$ 1.7M	$ 2.8M	Nil	$ 9.0M
Total assets	$ 191.1M	$ 192.9M	$ 193.7M	$ 193.0M	$ 191.0M	$ 67.5M
Capital spending	$ 6.2M	$ 8.4M	$ 5.5M	$ 8.9M	$ 8.2M	$ 3.5M
Debt ratio	15.4%	16.0%	15.0%	16.4%	17.2%	58.3%

COMPARISON OF 2014 RESULTS WITH BUDGET

- Earnings of $2.3 million were $0.5 million lower than budget.
- Revenues of $39.4 million were $1.0 million lower than budget mainly due to higher vacancy in the parks.
- Operating expenses of $35.6 million were $0.4 million lower than budgeted. To offset the impact of increased vacancy on earnings, management undertook a review of discretionary expenses during the year which resulted in lower administration and other expenses.

2015 OUTLOOK

- Expected earnings for 2015 are $7.1 million, reflecting an increase of $4.8 million when compared to 2014 actual results. Reflected in earnings is an expected gain on disposal of the Forest Centre building in Prince Albert.
- Vacancy levels are projected to remain at higher than normal levels throughout 2015.
- Investment in capital assets is budgeted at $7.5 million for 2015.
- Total outstanding debt is not expected to change in 2015.

KEY ENTERPRISE RISKS, MITIGATIONS AND ACTION PLANS

- The primary risk for SOCO is the risk of being unable, with a finite amount of space, to support the growth of existing tenants and the establishment of new tenants. Management has addressed this risk by reviewing all tenants from the perspective of their strategic relevance to the core technology clusters in order to determine whether any space can be made available through the relocation of non-core tenants to other space within the cities. Management continues to evaluate potential new tenants according to their strategic fit in core technology clusters.
- Closely associated with the primary risk is the risk of losing a significant tenant or several tenants in one industry which will negatively impact financial results, an industry cluster and/or the value for remaining tenants. As the likelihood and impact of this risk increases, it directly affects our ability to fulfill our mission and potentially decreases the value of the parks by eroding existing clusters. Management continues to work to rationalize existing space and tenants.

KEY OPERATIONAL DATA	2014	2013	2012	2011	2010
Vacancy rates	7.7%	4.4%	2.4%	2.8%	4.0%
Full-time equivalent employees	106	115	117	123	120
Total employment at the technology parks	4,316	5,113	5,471	5,158	5,047

Since its inception, the HeadStart on a Home program has committed more than $370 million to achieve the goal of constructing over 1,500 entry level homes in Saskatchewan communities.

COMPARISON OF 2014 RESULTS WITH 2013 RESULTS

- The HeadStart on a Home program, operated by SIIF, continued to see a significant amount of construction activity and a strong demand for housing in 2014.
- Earnings decreased by $5.2 million to a loss of $4.0 million in 2014 (2013 - $1.2 million of earnings), primarily due to a decrease in net finance income and a $4.4 million loan impairment loss recorded in 2014.
- Net finance income decreased by $0.7 million to $1.4 million (2013 - $2.1 million). An increase in interest income of $1.6 million was offset by a decrease of $1.1 million in premiums on debt due to the Government of Canada and an increase of $1.1 million in interest expense.
- Management fees increased by $0.2 million to $1.1 million (2013 - $0.9 million). Management fees are based on a percentage of outstanding loans receivable.
- SIIF had $104.2 million (2013 - $123.5 million) in cash and cash equivalents restricted for use in the Saskatchewan HeadStart on a Home program.
- Loans receivable were $58.8 million (2013 - $43.8 million) reflecting the continued growth of the HeadStart program among builders and developers in 2014.
- SIIF had $194.7 million (2013 - $165.0 million) in debt, including accrued interest, due to the Government of Canada pursuant to the Immigrant Investor Program (IIP).
- During 2014, SIIF received an additional $27.1 million (2013 - $69.7 million) from the Government of Canada under the IIP, issued $78.1 million (2013 - $74.9 million) in new loans to builders and developers and received $59.5 million (2013 - $65.4 million) in loan principal repayments.

KEY FINANCIAL DATA	2014 Actual	2014 Bus. Plan	2013 Actual	2012 Actual	2011 Actual	2010[1] Actual
(Loss) earnings	$ (4.0M)	$ 0.9M	$ 1.2M	$ (0.2M)	$ 1.2M	$ 0.4M
Loans receivable	$ 58.8M	$ 72.0M	$ 43.8M	$ 34.3M	Nil	N/A
Efficiency ratio[2]	192.2%	136.7%	135.6%	119.4%	99.0%	N/A
Dollars repaid by developers	$ 59.5M	$ 58.6M	$ 65.4M	$ 7.1M	Nil	N/A

[1] SIIF was established on October 6, 2010, and the HeadStart on a Home program was officially launched in the last quarter of 2011, therefore key financial data is not available for all years presented.
[2] Efficiency ratio is defined as approved project amounts divided by funds available for investment since inception of the HeadStart on a Home program.

COMPARISON OF 2014 RESULTS WITH BUDGET

- The loss of $4.0 million was $4.9 million less than the budgeted earnings of $0.9 million mainly due to the loan loss provision and the impact of lower than budgeted premiums on debt due to the Government of Canada.
- Loans receivable of $58.8 million were $13.2 million lower than the budget of $72.0 million due to the loan loss provision recorded in the year, as well as accelerated repayments from developers as a result of the strong demand for housing in 2014.
- Debt due to the Government of Canada was $194.7 million or $5.4 million lower than the budget of $200.1 million due primarily to allocations received from the Government of Canada being lower than expected.

2015 OUTLOOK

- The final allocation of IIP funds from the Government of Canada is expected to be received in 2015, and SIIF will complete its mandate five years after the last allocation is received.
- Although economic and demographic factors remain supportive of housing demand, increased construction in 2014, coupled with declining absorption rates, have resulted in an elevated inventory of multi-family units. As a result, SIIF anticipates a slower pace of applications from builders in 2015.

KEY ENTERPRISE RISKS, MITIGATIONS AND ACTION PLANS

- Concentration of credit risk relates to groups of counterparties that are engaged in similar activities, are located in the same geographic area or have comparable economic characteristics that cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions. SIIF has material concentrations of credit risk on its loan receivables which are due from builders and developers located in Saskatchewan and therefore could be similarly impacted by changes in the Saskatchewan economy. However; the loans are diversified with companies and in communities throughout Saskatchewan, and therefore may not be identically impacted by changes in the overall Saskatchewan economy. SIIF performs due diligence and maintains credit policies and limits in respect to potential loans. Credit risk is also mitigated through SIIF holding a security interest in the units constructed and the land upon which the units are constructed which are located in various communities throughout Saskatchewan.

KEY OPERATIONAL DATA	2014	2013	2012	2011	2010[1]
Housing starts	586	566	416	Nil	N/A
Units sold to home buyers	420	449	252	Nil	N/A
Municipalities engaged	19	23	36	19	N/A

[1] SIIF was established on October 6, 2010, and the HeadStart on a Home program was officially launched in the last quarter of 2011, therefore key operational data is not available for all years presented.

RESPONSIBILITY FOR FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared by management of Crown Investments Corporation of Saskatchewan. They have been prepared in accordance with International Financial Reporting Standards, consistently applied, using management's best estimates and judgements where appropriate. Management is responsible for the reliability and integrity of the consolidated financial statements and other information contained in this Annual Report.

The Corporation's Board of Directors is responsible for overseeing the business affairs of the Corporation and also has the responsibility for approving the financial statements. The Board of Directors is responsible for reviewing the annual financial statements and meeting with management, the Corporation's external auditors KPMG LLP, and the Provincial Auditor of Saskatchewan on matters relating to the financial process.

Management maintains a system of internal controls to ensure the integrity of information that forms the basis of the financial statements. Management's attestation on the adequacy of financial controls appears opposite. The Provincial Auditor of Saskatchewan has reported to the Legislative Assembly that financial controls are adequately functioning.

KPMG LLP has audited the consolidated financial statements. Their report to the Members of the Legislative Assembly, stating the scope of their examination and opinion on the consolidated financial statements, appears on the following page.

Blair Swystun, CFA
Acting President & CEO

John Amundson, FCPA, FCA
Corporate Controller

March 25, 2015

ANNUAL STATEMENT OF MANAGEMENT RESPONSIBILITY

I, Blair Swystun, the Acting President and Chief Executive Officer of Crown Investments Corporation of Saskatchewan, and I, John Amundson, the Corporate Controller of Crown Investments Corporation of Saskatchewan, certify the following:

That we have reviewed the consolidated financial statements included in the Annual Report of Crown Investments Corporation of Saskatchewan. Based on our knowledge, having exercised reasonable diligence, the consolidated financial statements included in the Annual Report, fairly present, in all material respects the financial condition, results of operations, and cash flows, as of December 31, 2014.

That based on our knowledge, having exercised reasonable diligence, the consolidated financial statements included in the Annual Report of Crown Investments Corporation of Saskatchewan do not contain any untrue statements of material fact, or omit to state a material fact that is either required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made.

That Crown Investments Corporation of Saskatchewan is responsible for establishing and maintaining effective internal control over financial reporting, which includes safeguarding of assets and compliance with applicable legislative authorities; and Crown Investments Corporation of Saskatchewan has designed internal controls over financial reporting that are appropriate to the circumstances of Crown Investments Corporation of Saskatchewan.

That Crown Investments Corporation of Saskatchewan conducted its assessment of the effectiveness of the Corporation's internal controls over financial reporting and, based on the results of this assessment, Crown Investments Corporation of Saskatchewan can provide reasonable assurance that internal controls over financial reporting as of December 31, 2014 were operating effectively and no material weaknesses were found in the design or operation of the internal controls over financial reporting.

On behalf of management:

Blair Swystun, CFA
Acting President & CEO

John Amundson, FCPA, FCA
Corporate Controller

March 25, 2015

INDEPENDENT AUDITORS' REPORT

To the Members of the Legislative Assembly of Saskatchewan

We have audited the accompanying consolidated financial statements of **Crown Investments Corporation of Saskatchewan**, which comprise the consolidated statement of financial position as at December 31, 2014 and the consolidated statements of comprehensive (loss) income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform an audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Crown Investments Corporation of Saskatchewan as at December 31, 2014, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

KPMG LLP

Chartered Accountants
March 25, 2015
Regina, Saskatchewan

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at

(thousands of dollars)

	Note	December 31 2014	December 31 2013 (Restated Note 3)	January 1 2013 (Restated Note 3)
ASSETS				
Current				
Cash and cash equivalents	6	$ 391,604	$ 412,583	$ 328,027
Short-term investments	7	192,575	229,918	448,188
Accounts receivable	8(d)	818,276	745,250	690,328
Restricted cash and cash equivalents	9	114,342	124,014	70,940
Derivative financial assets	8	27,497	36,361	56,428
Inventories	10	374,527	412,430	411,662
Prepaid expenses		136,538	129,627	125,412
Assets held-for-sale	11	6,090	4,554	-
		2,061,449	2,094,737	2,130,985
Restricted cash and cash equivalents	9	4,766	4,823	4,872
Investments	7	1,467,137	1,274,792	1,230,124
Investments in equity accounted investees	12	142,036	143,864	85,914
Property, plant and equipment	13	12,295,498	11,043,249	9,112,247
Investment property	14	166,401	173,128	175,694
Intangible assets	15	391,666	383,821	328,531
Other assets	16	13,333	18,350	23,609
		$ 16,542,286	$ 15,136,764	$ 13,091,976
LIABILITIES AND PROVINCE'S EQUITY				
Current				
Bank indebtedness		$ 15,363	$ 14,462	$ 5,724
Trade and other payables		917,277	838,231	716,784
Derivative financial liabilities	8	202,692	102,157	96,767
Notes payable	17	1,353,369	1,461,802	1,149,319
Deferred revenue	18	540,415	479,454	444,479
Provisions	19	218,870	194,288	150,645
Current portion of finance lease obligations	20	8,555	7,341	5,680
Long-term debt due within one year	21	65,523	61,994	157,701
Liabilities held-for-sale	11	-	57	-
		3,322,064	3,159,786	2,727,099
Provisions	19	571,804	521,596	464,683
Finance lease obligations	20	1,136,632	1,137,138	436,690
Long-term debt	21	6,297,225	5,100,250	4,402,718
Employee future benefits	22	422,592	281,726	641,238
Other liabilities	23	182,330	120,543	98,275
		11,932,647	10,321,039	8,770,703
Province of Saskatchewan's Equity				
Equity advances		908,889	908,889	1,051,839
Contributed surplus		85	125	125
Retained earnings		3,759,399	3,802,660	3,597,189
Accumulated other comprehensive (loss) income	25	(58,734)	104,051	(327,880)
		4,609,639	4,815,725	4,321,273
		$ 16,542,286	$ 15,136,764	$ 13,091,976
Commitments and contingencies	26			

(See accompanying notes)

On behalf of the Board:

Director

Director

CONSOLIDATED STATEMENT OF COMPREHENSIVE (LOSS) INCOME

For the Year Ended December 31

(thousands of dollars)

	Note	2014	2013 (Restated Note 3)
INCOME FROM OPERATIONS			
Revenue		$ 5,168,999	$ 4,804,946
Other income		5,804	14,853
		5,174,803	4,819,799
EXPENSES			
Operating		2,899,416	2,471,505
Salaries, wages and short-term employee benefits		866,285	829,530
Employee future benefits	22	65,039	61,772
Depreciation and amortization	27	707,117	643,036
Loss on disposal of property, plant and equipment		10,829	24,780
Impairment losses	28	30,150	10,104
Research and development		2,237	754
(Recovery of) provision for decommissioning and environmental remediation liabilities	19	(11,527)	12,122
Saskatchewan taxes and fees	29	148,319	137,657
		4,717,865	4,191,260
RESULTS FROM OPERATING ACTIVITIES		456,938	628,539
Finance income	30	224,292	156,985
Finance expenses	30	(524,677)	(480,803)
NET FINANCE EXPENSES		(300,385)	(323,818)
EARNINGS FROM OPERATIONS		156,553	304,721
Share of net earnings from equity accounted investees	12	6,274	28,376
EARNINGS FROM CONTINUING OPERATIONS		162,827	333,097
(Loss) gain from discontinued operations	11	(989)	224,342
Net gain on sale of equity accounted investees		901	9,411
NET EARNINGS		162,739	566,850
OTHER COMPREHENSIVE (LOSS) INCOME			
Items that may be reclassified subsequently to net earnings:			
Share of changes in comprehensive income recognized by associates		3	3
Unrealized (losses) gains on cash flow hedges	30	(18,471)	3,750
Realized (losses) gains on cash flow hedges	30	(12,251)	49,480
Amounts amortized to net earnings and included in finance income	30	(1,421)	(504)
Foreign currency translation adjustments	30	-	477
Items that will not be reclassified to net earnings:			
Impact of changes in actuarial assumptions on defined benefit pension plans	30	(227,927)	218,690
Impact of changes in actuarial assumptions on other defined benefit plans	30	(2,547)	1,837
Return on pension plan assets (excluding interest income)	30	99,833	158,198
Other		(4)	-
OTHER COMPREHENSIVE (LOSS) INCOME		(162,785)	431,931
TOTAL COMPREHENSIVE (LOSS) INCOME ATTRIBUTABLE TO THE PROVINCE OF SASKATCHEWAN		$ (46)	$ 998,781

(See accompanying notes)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Year Ended December 31

(thousands of dollars)

	Attributable to the Province of Saskatchewan				
	Equity Advances	Contributed Surplus	Retained Earnings (Restated Note 3)	Accumulated Other Comprehensive (Loss) Income (Note 25)	Total Equity (Restated Note 3)
Balance at January 1, 2013	$ 1,051,839	$ 125	$ 3,597,189	$ (327,880)	$ 4,321,273
Total comprehensive income	-	-	566,850	431,931	998,781
Repayment of equity advances to General Revenue Fund (GRF)	(142,950)	-	-	-	(142,950)
Dividends to GRF	-	-	(361,379)	-	(361,379)
Balance at December 31, 2013	908,889	125	3,802,660	104,051	4,815,725
Total comprehensive income (loss)	-	-	**162,739**	**(162,785)**	**(46)**
Dividends to GRF	-	-	**(206,000)**	-	**(206,000)**
Other	-	**(40)**	-	-	**(40)**
Balance at December 31, 2014	$ 908,889	$ 85	$ 3,759,399	$ (58,734)	$ 4,609,639

(See accompanying notes)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Year Ended December 31

(thousands of dollars)

	Note	2014	2013 (Restated Note 3)
OPERATING ACTIVITIES			
Net earnings		$ 162,739	$ 566,850
Adjustments to reconcile net earnings to cash from operating activities	31	1,145,997	776,092
		1,308,736	1,342,942
Net change in non-cash working capital balances related to operations		138,077	192,914
Interest paid		(477,920)	(400,550)
Defined benefit pension plan contributions	22	(7)	(40)
Cash provided by operating activities from continuing operations		968,886	1,135,266
Cash used in operating activities from discontinued operations	11	(1,927)	(20,481)
Net cash from operating activities		966,959	1,114,785
INVESTING ACTIVITIES			
Interest received		38,476	32,346
Dividends received		4,443	2,420
Purchase of investments		(1,021,333)	(1,268,448)
Proceeds from sale and collection of investments		986,536	1,498,848
Proceeds from the sale of Information Services Corporation shares	11	-	156,199
Purchase of property, plant and equipment		(1,828,284)	(1,741,579)
Proceeds (costs) related to sale of property, plant and equipment		2,674	(2,741)
Purchase of intangible assets		(82,719)	(126,854)
Purchase of investment property		(5,979)	(4,949)
Decrease (increase) in restricted cash and cash equivalents		9,729	(53,000)
Increase in government grants		2,825	9,659
Net cash used in investing activities		(1,893,632)	(1,498,099)
FINANCING ACTIVITIES			
(Decrease) increase in notes payable		(108,432)	322,418
Increase in other liabilities		78,502	52,178
Debt proceeds from GRF		1,233,110	690,068
Debt repayments to GRF		(50,000)	(152,148)
Debt proceeds from other lenders		27,085	69,704
Debt repayments to other lenders		(18,627)	(10,501)
Sinking fund installments		(57,206)	(45,069)
Sinking fund redemptions		6,361	36,811
Equity advances repaid to GRF		-	(142,950)
Dividend paid to GRF		(206,000)	(361,379)
Net cash from financing activities		904,793	459,132
NET CHANGE IN CASH AND CASH EQUIVALENTS DURING YEAR		(21,880)	75,818
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR		398,121	322,303
CASH AND CASH EQUIVALENTS, END OF YEAR		$ 376,241	$ 398,121
Cash and cash equivalents consists of:			
Cash and cash equivalents from continuing operations		$ 391,604	$ 409,730
Bank indebtedness from continuing operations		(15,363)	(14,462)
		376,241	395,268
Cash and cash equivalents from discontinued operations		-	2,853
		$ 376,241	$ 398,121

(See accompanying notes)

1. GENERAL INFORMATION

Crown Investments Corporation of Saskatchewan (CIC) is a corporation domiciled and incorporated in Canada. The address of CIC's registered office and principal place of business is 400 - 2400 College Avenue, Regina, SK, S4P 1C8. The consolidated financial statements of CIC comprise CIC and its subsidiaries (collectively referred to as "CIC" or "the Corporation") and the Corporation's interest in associates, joint ventures and joint operations with principal activities as described in Note 4(a).

2. BASIS OF PREPARATION

a) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). The consolidated financial statements were authorized for issue by the Board of Directors on March 25, 2015.

b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the following:

- Inventory at net realizable value (Note 4(c)).
- Financial assets and liabilities at fair value through profit or loss are measured at fair value (Note 8).
- Certain prepaid expenses for property and casualty insurance are discounted at expected future cash flows (Note 4(l)).
- Provisions discounted at expected future cash flows (Note 19).
- Employee future benefits are recognized at the fair value of plan assets less the present value of the accrued benefit obligation (Note 22).

c) Functional and presentation currency

The consolidated financial statements are presented in Canadian dollars, which is the Corporation's functional currency.

d) Use of estimates

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future years affected.

Significant items subject to estimates and assumptions include the carrying amounts of property, plant and equipment and underlying estimations of useful lives of depreciable assets, provisions, accounts receivable, inventory, investments, intangible assets and investment property, fair value of financial instruments and the carrying amounts of employee future benefits including underlying actuarial assumptions. These significant areas are further described in Notes 7, 8, 10, 12, 13, 14, 15, 19, 22, 26 and 27.

e) Use of judgements

The preparation of financial statements in conformity with IFRS requires management to make judgements that affect the application of accounting policies.

Significant items subject to judgement include the accounting policies listed in Note 4.

3. CHANGES IN ACCOUNTING POLICY AND APPLICATION OF REVISED ACCOUNTING STANDARDS

a) Revenue recognition

Effective January 1, 2014, the Corporation changed its revenue recognition policy related to advertising and directory services. Revenues are now recognized over the term of the contract, previously revenue was recognized when directories were issued. The change was made as the new policy more reliably reports and better reflects the marketing strategy and resulting revenues from these services.

The impact of the change in accounting policy is as follows:

Consolidated Statement of Financial Position
(thousands of dollars)

	December 31 2013	January 1 2013
Decrease in accounts receivable	$ (18,738)	$ (19,183)
Increase in prepaid expenses	2,839	2,860
Decrease in total assets	$ (15,899)	$ (16,323)
Increase in deferred revenue	$ 2,303	$ 7,346
Decrease in other liabilities	-	(4,802)
Decrease in retained earnings	(18,202)	(18,867)
Decrease in total liabilities and Province's equity	$ (15,899)	$ (16,323)

Consolidated Statement of Comprehensive Income
(thousands of dollars)

	December 31 2013
Increase in revenue	$ 687
Increase in operating expense	(85)
Decrease in salaries, wages and short-term employee benefits	63
Increase in total comprehensive income	$ 665

b) New and amended accounting standards

The following new standards and amendments to standards, effective for annual periods beginning on or after January 1, 2014, have been applied in preparing these consolidated financial statements:

- IFRIC 21, *Levies*;
- Amendments to IFRS 10, *Consolidated Financial Statements*, IFRS 12, *Disclosure of Interests in Other Entities* and IAS 27, *Separate Financial Statements*;
- Amendments to IAS 24, *Related Party Disclosures*;
- Amendments to IAS 32, *Financial Instruments: Presentation*;
- Amendments to IAS 36, *Impairment of Assets*; and
- Amendments to IAS 39, *Financial Instruments: Recognition and Measurement*.

The adoption of these standards had no material impact on the consolidated financial statements.

4. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all years presented in these consolidated financial statements. The accounting policies have been consistently applied by CIC's subsidiaries.

a) Basis of consolidation

Subsidiaries

Saskatchewan provincial Crown corporations are either designated as subsidiary Crown corporations of CIC or created as CIC Crown corporations under *The Crown Corporations Act, 1993* (the Act). The Act assigns specific financial and other responsibilities regarding these corporations to CIC.

In addition to the Crown corporations listed below, the Corporation also consolidates the accounts of Gradworks Inc., a wholly-owned non-profit subsidiary, and the following wholly-owned share capital subsidiaries: CIC Asset Management Inc.; First Nations and Métis Fund Inc.; CIC Economic Holdco Ltd.; and Saskatchewan Immigrant Investor Fund Inc. (SIIF), all of which are domiciled in Canada.

Separate audited financial statements for CIC have been prepared to show the financial position and results of operations of the corporate entity. In addition, audited financial statements for each of the undernoted Crown corporations, which are consolidated in these financial statements, are prepared and released publicly:

Wholly-owned subsidiaries domiciled in Canada	Principal activity
SaskEnergy Incorporated (SaskEnergy)	Natural gas storage and delivery
Saskatchewan Gaming Corporation (SGC)	Entertainment
Saskatchewan Government Insurance (SGI)	Property and casualty insurance
Saskatchewan Opportunities Corporation (SOCO)	Research parks
Saskatchewan Power Corporation (SaskPower)	Electricity
Saskatchewan Telecommunications Holding Corporation and Saskatchewan Telecommunications (collectively SaskTel)	Telecommunications
Saskatchewan Transportation Company (STC)	Passenger and freight transportation
Saskatchewan Water Corporation (SaskWater)	Water and wastewater management

Associates and joint ventures (investments in equity accounted investees)

Associates are those entities in which the Corporation has significant influence, but not control over strategic financial and operating decisions. Significant influence is presumed to exist when the Corporation holds between 20.0 and 50.0 per cent of the voting power of another entity.

Joint ventures are those entities over whose activities the Corporation has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions, and provide the Corporation with rights to the net assets of the arrangement.

Associates and joint ventures are accounted for using the equity method and are recognized initially at cost. The Corporation's investment includes any goodwill identified at acquisition, net of accumulated impairment losses. The consolidated financial statements include the Corporation's share of the total comprehensive (loss) income and equity movements of equity accounted investees, after adjustments to align the accounting policies with those of the Corporation, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases. When the Corporation's share of losses exceeds its interest in equity accounted investees, the carrying amount of that interest is reduced to Nil and the recognition of further losses is discontinued except to the extent that the Corporation has an obligation or has made payments on behalf of the investee.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

a) Basis of consolidation *(continued)*

Joint operations

Joint operations are those entities over whose activities the Corporation has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions; and provide the Corporation with rights to the assets, and obligations for the liabilities, related to the arrangement. The consolidated financial statements include the Corporation's proportionate share of joint operation assets, incurred liabilities, income and expenses. The Corporation has classified the following as joint operations:

i) **Kisbey Gas Gathering and Processing Facility (Kisbey)**
The Corporation has a 50.0 per cent interest in Kisbey, which operates natural gas processing facilities in Saskatchewan.

ii) **Totnes Natural Gas Storage Facility (Totnes)**
The Corporation has a 50.0 per cent interest in Totnes, which operates natural gas storage facilities in Saskatchewan.

iii) **Cory Cogeneration Station (Cory)**
The Corporation has a 50.0 per cent interest in an unincorporated joint venture with ATCO Power Canada Ltd. The joint venture owns and operates a 228 MW natural gas-fired, cogeneration power plant (Cory Cogeneration Station) near Saskatoon, Saskatchewan. The electricity generated by the facility is sold to the Corporation under the terms of a 25-year power purchase agreement.

Special purpose entities

The Corporation has established certain special purpose entities (SPEs) for trading and investment purposes. The Corporation does not have any direct or indirect shareholdings in these entities. An SPE is consolidated if, based on an evaluation of the substance of its relationship with the Corporation and the SPE's risks and rewards, the Corporation concludes that it controls the SPE. SPEs controlled by the Corporation were established under terms that impose strict limitations on the decision-making powers of the SPE's management and that result in the Corporation receiving the majority of the benefits related to the SPE's operations and net assets, being exposed to risks incident to the SPE's activities, and retaining the majority of the residual or ownership risks related to the SPE or its assets.

The Corporation has two SPEs, Meadow Lake Pulp Limited Partnership and 212822 Saskatchewan Ltd. These SPEs are not material to the Corporation's consolidated results.

Transactions eliminated on consolidation

Inter-group balances and transactions, and any unrealized income and expenses arising from inter-group transactions, are eliminated in preparing the consolidated financial statements. Unrealized gains arising from transactions with investments in equity accounted investees are eliminated against the investment to the extent of the Corporation's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

b) Cash and cash equivalents

Cash and cash equivalents include short-term investments that have a maturity date of ninety days or less.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

c) Inventories

Inventories for resale, including natural gas in storage held-for-resale, are valued at the lower of weighted average cost and net realizable value. Net realizable value represents the estimated selling price for inventories less all estimated costs necessary to make the sale. Net realizable value for natural gas inventory is determined using natural gas market prices based on anticipated delivery dates. Natural gas in storage held-for-resale is charged to inventory when purchased and expensed as sold.

Other supplies inventories are valued at the lower of weighted average cost and net realizable value. Replacement cost is used as management's best estimate of the net realizable value for other supplies inventory. In establishing the appropriate provision for supplies inventory obsolescence, management estimates the likelihood that supplies inventory on hand will become obsolete due to changes in technology. Other supplies are charged to inventory when purchased and expensed or capitalized when used.

d) Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition or construction of the asset. The cost of self-constructed assets includes materials, services, direct labour, directly attributable overheads, and other costs directly attributable to preparing the asset for its intended use. Interest costs associated with major capital and development projects that are six months or longer in duration are capitalized during the construction year at the weighted average cost of long-term borrowings. Assets under construction are recorded as in progress until operational and available for use, at which time they are transferred to property, plant and equipment.

Costs are recognized as an asset if it is probable that economic benefits associated with the item will flow to the Corporation and the cost can be reliably measured. Significant renewals and enhancements to existing assets are capitalized only if the useful life of the asset is increased, physical output, service capacity or quality is improved above original design standards, or operating costs are reduced by a substantial and quantifiable amount that can be reliably measured. The cost of maintenance, repairs, renewals or replacements which do not provide benefits into the future are charged to operating expense as incurred.

Significant parts of an item of property, plant and equipment that have different useful lives are accounted for as separate items of property, plant and equipment.

When property, plant and equipment is disposed of or retired, the related costs less accumulated depreciation and impairment losses are eliminated from the accounts. Any resulting gains or losses are reflected in net earnings in the year of disposal.

e) Depreciation of property, plant and equipment

Depreciation is calculated over the depreciable amount, which is the cost of an asset less its residual amount. Depreciation is recorded primarily on the straight-line basis over the useful life of each asset as follows:

Machinery and equipment	3 - 100 years
Buildings and improvements	3 - 100 years
Coal properties and rights	21 years

The useful life and depreciation method are reviewed periodically to ensure consistency with the expected pattern of economic benefits from these assets.

Assets held under finance leases are depreciated over the expected useful economic life of each asset on the same basis as for owned assets, or where shorter, the lease term.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

f) Intangible assets

Goodwill

Goodwill that arises upon the acquisition of subsidiaries is included in intangible assets.

The Corporation measures goodwill as the fair value of the consideration transferred less the net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date. When the excess is negative, a bargain purchase gain is recognized immediately in net earnings.

Subsequent to acquisition, goodwill is measured at cost less accumulated impairment losses. In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment, and an impairment loss on such an investment is not allocated to any asset, including goodwill, that forms part of the carrying amount of the equity accounted investee.

On disposal of a subsidiary or a joint operation, the attributed amount of goodwill is included in the determination of the gain or loss on disposal.

Research and development

Expenditures on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, are recognized in net earnings when incurred.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditures are capitalized only if the amount can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Corporation intends to and has sufficient resources to complete development and to use or sell the asset. Expenditures capitalized include the cost of materials, direct labour and overhead costs that are directly attributable to preparing the asset for its intended use. Interest costs related to the development of qualifying assets are capitalized. Other development expenditures are recognized in net earnings as incurred.

Capitalized development expenditures are measured at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized in the Consolidated Statement of Comprehensive (Loss) Income on a straight-line basis over the estimated useful life of 1 to 7 years.

Finite-life intangibles

Finite-life intangible assets, acquired individually, with a group of other assets, or through the Corporation's authorized dealers are measured at cost of acquisition or development less accumulated amortization and accumulated impairment losses and may include direct development costs, and overhead costs directly attributable to the development activity. Customer accounts acquired are measured at cost less accumulated amortization and any accumulated impairment losses, and are amortized on a straight-line basis over an estimated useful life of 5 to 10 years from the date of acquisition.

Capitalized software includes externally purchased software packages as well as external and internal direct labour costs related to internally developed programs. Software development costs are capitalized if it is probable that the asset developed will generate future economic benefits. Software is amortized on a straight-line basis over an estimated useful life of 1 to 7 years from the date of acquisition. Maintenance of existing software programs is expensed as incurred.

Estimated useful lives of finite-life intangible assets are reviewed annually with any changes applied prospectively.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

f) Intangible assets *(continued)*

Indefinite-life intangibles

Spectrum licences, for wireless telecommunication services, have been classified as indefinite-life intangible assets due to the current licensing terms, the most significant of which are minimal renewal fees and no regulatory precedent of material licence revocation. Should these factors change, the classification as indefinite life will be reassessed. The licences are not subject to amortization and are carried at cost less accumulated impairment losses.

g) Investment property

Properties held for rental purposes are classified as investment properties and are measured at cost less accumulated amortization and impairment losses. Amortization is recorded on investment property on the straight-line basis over the estimated life of each asset as follows:

Buildings	20 - 80 years
Infrastructure	25 - 60 years
Leasehold improvements	Lease term

Depreciation commences when the asset is ready for its intended use. The useful life and depreciation method are reviewed periodically to ensure consistency with the expected pattern of economic benefits from these assets.

h) Deferred supply agreements

Deferred supply agreements include payments made in accordance with long-term coal supply agreements. The Corporation is amortizing the deferred assets over the remaining life of the long-term coal supply agreements.

i) Financial instruments

The Corporation classifies its financial instruments into one of the following categories: fair value through profit or loss; loans and receivables; and other liabilities.

Financial assets and liabilities are offset and the net amount reported on the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

All financial instruments are measured at fair value on initial recognition. Transaction costs are included in the initial carrying amount of financial instruments except for financial instruments at fair value through profit or loss in which case the transaction costs are expensed as incurred. Measurement in subsequent years depends on the classification of the financial instrument.

Financial instruments at fair value through profit or loss

Financial assets and financial liabilities are classified as fair value through profit or loss if those instruments are held for trading or designated as such upon initial recognition. A financial asset or financial liability is classified as held for trading if it has been acquired with the intention of generating profits in the near term or is part of a portfolio of financial instruments that are managed together where there is evidence of a recent pattern of short-term profit taking. A financial asset or financial liability is designated as fair value through profit or loss if the Corporation manages such instruments and makes decisions based on the fair value of those instruments in accordance with the Corporation's documented risk management or investment strategy. Subsequent to initial recognition, financial assets and financial liabilities at fair value through profit or loss are measured at fair value with any revaluation gains and losses recognized in net earnings. The Corporation classifies cash and cash equivalents, derivative financial assets and liabilities that do not qualify as a hedge and are not designated as a hedge, sinking funds, restricted cash and cash equivalents, certain investments included in Note 7, and bank indebtedness as financial instruments at fair value through profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

i) Financial instruments *(continued)*

Loans and receivables

The Corporation classifies accounts receivable and certain investments as disclosed in Note 7, as loans and receivables. Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. These financial assets are accounted for at amortized cost using the effective interest method, less any impairment losses.

Investments under securities lending program

Securities lending transactions are entered into on a collateralized basis. The securities lent are not de-recognized on the Consolidated Statement of Financial Position given that the risks and rewards of ownership are not transferred from the Corporation to the counterparties in the course of such transactions. The securities are included in the Consolidated Statement of Financial Position on the basis that the counterparties may resell or re-pledge the securities during the time that the securities are in their possession.

Securities received from counterparties as collateral are not included in the Consolidated Statement of Financial Position given that the risks and rewards of ownership are not transferred from the counterparties to the Corporation in the course of such transactions.

Structured settlements

In the normal course of insurance claim adjudication, the Corporation settles certain long-term claims losses through the purchase of annuities under structured settlement arrangements with life insurance companies. As the Corporation does not retain any interest in the related insurance contract and obtains a legal release from the claimant, any gain or loss on the purchase of the annuity is recognized in the Consolidated Statement of Comprehensive (Loss) Income at the date of the purchase and the related claims liabilities are derecognized. However, the Corporation remains exposed to the credit risk that the life insurance companies may fail to fulfil their obligations.

Other liabilities

Other liabilities are non-derivative financial liabilities that are not designated as fair value through profit or loss. Subsequent to initial recognition, these financial liabilities are accounted for at amortized cost using the effective interest method. The Corporation classifies trade and other payables, notes payable, long-term debt and finance lease obligations as other liabilities.

Derivative instruments

The Corporation utilizes a variety of derivative instruments to manage its exposure to interest rate, electricity and natural gas price risk.

The terms and conditions of certain derivative financial instrument contracts require the Corporation to provide collateral when the fair value of the obligation pursuant to these contracts is in excess of exposure limits granted. When posted, these collateral amounts are recognized as margin deposits on derivative financial instruments and are included with accounts receivable.

In order to qualify for hedge accounting, the Corporation designates derivatives as hedges through formal documentation of all relationships between hedging instruments and hedged items, as well as the risk management objective and strategy for undertaking the hedge transaction. This process includes linking derivatives to specific assets and liabilities or to specific firm commitments or forecast transactions. The Corporation formally assesses both at the hedge's inception and on an ongoing basis, whether the derivatives used are highly effective in offsetting changes in cash flows of the hedged item and the timing of the cash flows is similar.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

i) Financial instruments *(continued)*

Derivative instruments *(continued)*

The Corporation may enter into bond forward agreements to hedge exposures to anticipated changes in interest rates on certain forecasted issuances of long-term debt. The Corporation has chosen to designate these contracts as cash flow hedges. As such, the effective portion of the changes in fair value related to the derivative financial instruments have been recognized in other comprehensive (loss) income, with the fair value being recognized as derivative financial assets or liabilities on the Consolidated Statement of Financial Position. When the derivatives expire upon the issuance of long-term debt, the resulting gain or loss recorded in accumulated other comprehensive (loss) income is amortized to net earnings over the term of the debt. If no debt is issued, the gain or loss is recognized in net earnings immediately.

Derivative instruments not designated as a hedge are held for trading and are recorded at fair value in the Consolidated Statement of Financial Position in current assets or current liabilities, as described in Note 8, commencing on the trade date. The change in the fair value is recorded in net earnings and classified within the revenue or expense category to which it relates. The revenue and expense categories impacted are described in Note 8(b).

Certain commodity contracts for the physical purchase of natural gas qualify as own-use contracts. The Corporation entered into these contracts for the purpose of physical receipt of the natural gas in accordance with its own expected usage requirements for the generation of electricity. As such, these non-financial derivative contracts are not recorded at fair value on the Consolidated Statement of Financial Position; rather, the contracts are accounted for as a purchase at the time of delivery.

Derivatives may be embedded in other host instruments. Embedded derivatives are treated as separate derivatives when the economic characteristics and risks are not closely related to those of the host instrument, the embedded derivative has the same terms as those of a stand-alone derivative and the combined contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with subsequent changes recognized in net earnings.

The Corporation utilizes natural gas sales contracts with embedded derivatives for non-regulated contract sales to large end-use customers.

j) Impairments

Financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset which can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Corporation on terms that the Corporation would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

The Corporation considers evidence of impairment for receivables at both a specific asset and collective level. All individually significant receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables that are not individually significant are collectively assessed for impairment by grouping together receivables with similar risk characteristics.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

j) Impairments *(continued)*

Financial assets *(continued)*

In assessing collective impairment, the Corporation uses historical trends of the probability of default, the timing of recoveries, and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in net earnings and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognized through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through net earnings.

Non-financial assets

The carrying amounts of non-financial assets, other than inventories, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset or cash-generating unit is the greater of its value-in-use and its fair value less costs to sell. In assessing value-in-use, the estimated future cash flows are discounted to present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit", or "CGU"). For the purposes of goodwill impairment testing, goodwill acquired in a business combination is allocated to the CGU, or the group of CGUs, that is expected to benefit from the synergies of the combination. This allocation is subject to an operating segment ceiling test and reflects the lowest level at which that goodwill is monitored for internal reporting purposes.

The Corporation's assets do not generate separate cash inflows. If there is an indication that an asset may be impaired, then the recoverable amount is determined for the CGU to which the asset belongs.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in net earnings. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro-rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognized in prior years are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

Goodwill that forms part of the carrying amount of an investment in an associate is not recognized separately, and therefore is not tested for impairment separately. Instead, the entire amount of the investment in an associate is tested for impairment as a single asset when there is objective evidence that the investment in an associate may be impaired.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

k) Provisions

A provision is recognized if, as a result of a past event, the Corporation has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation, the timing or amount of which is uncertain. Provisions are determined by discounting the expected future cash flows at a rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The unwinding of the discount on provisions is recognized in the Consolidated Statement of Comprehensive (Loss) Income as finance expenses.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Decommissioning provisions

A decommissioning provision is a legal or constructive obligation associated with the decommissioning of a long-lived asset. The Corporation recognizes decommissioning provisions in the year incurred if a reasonable estimate of fair value (net present value) can be determined. The Corporation recognizes provisions to decommission coal, natural gas, cogeneration and wind generation facilities in the year in which the facility is commissioned.

The fair value of estimated decommissioning costs is recorded as a provision with an offsetting amount capitalized and included as part of property, plant and equipment. Decommissioning provisions are increased periodically for the passage of time by calculating accretion expense on the provision. The offsetting capitalized costs are depreciated over the estimated useful life of the related asset.

The calculations of fair value are based on detailed studies that take into account various assumptions regarding the anticipated future cash flows including the method and timing of decommissioning and an estimate of future inflation. Decommissioning provisions are periodically reviewed and any changes in the estimated timing and amount of future cash flows, as well as changes in the discount rate, are recognized as an increase or decrease in the carrying amount of the liability and the related asset. If the asset is fully depreciated, the changes are recognized in net earnings immediately.

Environmental remediation

A provision for environmental remediation is accrued when the occurrence of an environmental expenditure, related to present or past activities of the Corporation, is considered probable and the costs of remedial activities can be reasonably estimated. These estimates include costs for investigations and remediation at identified sites. These provisions are based on management's best estimate considering current environmental laws and regulations and are recorded at fair value. The Corporation reviews its estimates of future environmental expenditures on an ongoing basis. Changes in the estimated timing and amount of future cash flows, as well as changes in the discount rate, are recognized in net earnings immediately.

Unpaid insurance claims

The provision for unpaid claims represents an estimate of the total cost of outstanding claims. The estimate includes the cost of reported claims, claims incurred but not reported, an estimate of adjustment expenses to be incurred on these claims and a provision for adverse deviation in accordance with Canadian Institute of Actuaries' Standards. The estimates are necessarily subject to uncertainty and are selected from a range of possible outcomes. During the life of the claim, adjustments to the estimates are made as additional information becomes available. The change in outstanding losses plus paid losses is reported as claims incurred in the current year and is included in operating expenses.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

l) Revenue

Natural gas sales and delivery

Revenue is recognized when natural gas is delivered to customers. An estimate of natural gas delivered, but not billed, is included in revenue.

Natural gas transportation and storage

Revenue is recognized when transportation, storage and related services are provided to the customer. An estimate of transportation, storage and related services rendered but not billed is included in revenue.

Electricity

Electricity pricing in Saskatchewan is subject to review by the Saskatchewan Rate Review Panel with final approval by provincial Cabinet. Saskatchewan electricity sales and exports are recognized upon delivery to the customer and include an estimate of electricity deliveries not yet billed at year-end. The estimated unbilled revenue is based on several factors, including estimated consumption by customer, applicable customer rates and the number of days between the last billing date and the end of the year. Electricity trading contracts are recorded at fair value.

Telecommunications

Telecommunications revenue represents the fair value of the consideration received or receivable for the services provided and equipment sales, net of discounts, volume rebates and sales taxes. Revenue from the sale of equipment and rendering of services is recognized in the year the services are provided or the equipment is sold, when there is persuasive evidence that an arrangement exists, the amount of revenue can be measured reliably and it is probable that the economic benefits associated with the transaction will flow to the Corporation and, in the case of equipment sales, when the significant risks and rewards of ownership of the goods are transferred to the buyer. Where the Corporation acts as an agent in a transaction, amounts collected on behalf of the principal are excluded from revenue.

Revenues from local telecommunications, data, internet, entertainment and security services are recognized based on access to the Corporation's network and facilities at the rate plans in effect during the year the service is provided. Certain service connection charges and activation fees, along with corresponding direct costs are deferred and recognized over the average expected term of the customer relationship. Revenues from long distance and wireless airtime are recognized based on the usage or rate plans in the year service is provided. Revenues from equipment sales are recognized when the significant risks and rewards of ownership of the goods are transferred to the buyer, typically when the equipment is delivered to and accepted by the customer. Revenues for longer term contracts are recognized in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed by reference to surveys of work performed. Payments received in advance are recorded as deferred revenue until the product or service is delivered.

Customer solutions may involve the delivery of multiple services and products that occur at different points and over different periods of time. The multiple services are separated into respective accounting units and consideration is allocated among the accounting units. The relevant revenue recognition policies are applied to each accounting unit. When an amount allocated to a delivered item is contingent upon the delivery of additional items or meeting specified performance conditions, the amount allocated to that delivered item is limited to the non-contingent amount.

When the Corporation receives no identifiable separate benefit for consideration given to a customer (discounts and rebates), the consideration is recorded as a reduction of revenue rather than as an expense.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

l) Revenue *(continued)*

Telecommunications *(continued)*

Revenues are earned through the sale of print and on-line advertising. Advertising revenues are generally recognized, in accordance with the contractual terms with the advertisers, on a monthly basis over the life of the advertising, commencing with the display date. Amounts billed in advance for advertising are deferred and recognized over the life of the contract.

Operating revenues for perpetual licences are recognized on delivery or according to the terms of the licence agreement. Where the arrangement includes multiple elements, perpetual licence revenues are recognized on delivery, provided the undelivered elements are not essential to the functionality of the licence, the Corporation has evidence of fair value for all the undelivered items and completion costs are reliably measurable. Fees for professional services, other than in the context of multiple element arrangements are recognized as services are rendered. Support and maintenance fees are recognized over the term of the contract. Revenues for customized software projects and consulting services are recognized using the percentage of completion method. Amounts billed or paid in advance of services provided are recorded as deferred revenue.

The Canadian Radio-television and Telecommunications Commission (CRTC) has established a National Subsidy Fund to subsidize Local Exchange Carriers (LECs), like the Corporation, that provide service to residential customers located in high cost service areas (HCSAs). The CRTC has set the rate per line and band for all LECs. The Corporation recognizes the revenue on an accrual basis by applying the rate to the number of residential network access lines served during the year in HCSAs.

Property and casualty insurance

The Corporation's property and casualty insurance policies have all been classified upon inception as insurance contracts. An insurance contract is a contract that transfers significant insurance risk and, upon the occurrence of the insured event, causes the insurer to make a benefit payment to the insured party. The sale of policies generates premiums written and are taken into net earnings over the terms of the related policies, no longer than 12 months. The portion of the policy premiums relating to the unexpired term of each policy is recorded as an unearned insurance premium (Note 18).

At the end of each year, a liability adequacy test is performed to validate the adequacy of unearned insurance premiums (Note 18) and deferred policy acquisition costs (included in prepaid expenses on the Consolidated Statement of Financial Position). A premium deficiency would exist if unearned insurance premiums are deemed insufficient to cover the estimated future costs associated with the unexpired portion of written insurance policies. A premium deficiency would be recognized immediately as a reduction of prepaid expenses to the extent that unearned insurance premiums plus anticipated finance income is not considered adequate to cover all deferred policy acquisition costs and related insurance claims and expenses. If the premium deficiency is greater than the unamortized deferred policy acquisition costs, an unearned insurance premium liability is accrued for the excess deficiency.

Gaming

Gaming revenue (table and slot revenues) represents the net win from gaming activities, which is the difference between the amounts wagered and the payouts by the casino. Gaming revenues are net of accruals for anticipated payouts of progressive jackpots.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

l) Revenue *(continued)*

Customer contributions

The Corporation obtains customer contributions related to the construction of new natural gas, electricity, water and wastewater service connections. Customer contributions for natural gas and electricity service are recognized initially as deferred revenue and are recognized into net earnings once the related property, plant and equipment is available for use. These customer contributions are often subject to refunds over a specified period. An estimate of these refunds remains in deferred revenue until the eligible refund period expires. Customer contributions received from water and wastewater customers are recognized initially as other liabilities when there is reasonable assurance that they will be received and the Corporation will comply with the conditions associated with the customer contract. The contributions are then recognized into net earnings on a systematic basis over the life of the related customer contract. If there is no customer contract in place the contributions are recognized into net earnings on a systematic basis over the life of the related assets.

Other

Revenue from sales of other products is recognized when goods are shipped and title has passed to the customer or based on the right to revenue pursuant to contracts with customers, tenants and clients.

m) Government grants

Conditional government grants are initially measured at fair value and recognized as other liabilities provided that there is reasonable assurance that the grant will be received and the Corporation will comply with the conditions associated with the grant. Grants that compensate the Corporation for expenses incurred are recognized in net earnings in the same year in which the expenses are recognized. Grants that compensate the Corporation for the cost of an asset are capitalized and recognized in net earnings over the useful life of the asset.

n) Foreign currency transactions

Transactions in foreign currencies are translated to Canadian dollars at exchange rates at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to Canadian dollars at the exchange rate at that date. Non-monetary assets and liabilities are translated using the exchange rates on the date of the transactions. Foreign currency differences arising on translation are recognized in net earnings.

o) Employee future benefits

The Corporation has three defined benefit pension plans, a defined contribution pension plan, and other plans that provide post-retirement benefits for its employees.

Defined contribution pension plan

A defined contribution plan is a post-employment benefit under which the Corporation pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to the defined contribution pension plan are recognized as an employee future benefit expense in net earnings in the year during which services are rendered by employees. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available.

Defined benefit pension plans

A defined benefit pension plan is a post-employment benefit plan other than a defined contribution pension plan. The Corporation's net obligation in respect of the defined benefit pension plans is calculated by estimating the discounted amount of future benefit that employees have earned in return for service in the current and prior years and deducting the fair value of plan assets.

The calculation of the net defined benefit pension obligation or asset is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

o) Employee future benefits *(continued)*

Defined benefit pension plans *(continued)*

asset, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the defined benefit pension plans or reductions in future contributions to the pension plans. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit pension obligation or asset, comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), and are recognized immediately in other comprehensive income (OCI). The net interest expense (income) on the net defined benefit pension plan obligation or asset is determined by applying the discount rate used to measure the defined benefit pension plan obligation or asset at the beginning of the year, to the net defined benefit pension plan obligation or asset, taking into account any changes in the net defined pension plan obligation or asset during the year as a result of contributions and benefit payments. Net interest expense related to the defined benefit pension plans is recognized immediately in net earnings as part of finance expenses.

When the benefits of the defined benefit pension plans are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in net earnings. The Corporation recognizes gains and losses on the settlement of defined benefit pension plans when the settlement occurs.

The discount rate used to determine the benefit obligation and the fair value of plan assets is determined by reference to market interest rates at the measurement date of high-quality debt instruments, with cash flows that match the timing and amount of expected benefit payments.

Other defined benefit plans

The Corporation's obligation in respect of employee future benefits other than pension plans is the discounted estimated amount of future benefit that employees have earned in return for service in the current and prior years. The discount rate used to determine the benefit obligation is determined by reference to market interest rates at the measurement date of high-quality debt instruments, with cash flows that match the timing and amount of expected benefit payments. The calculation is performed by a qualified actuary using the projected unit credit method. Remeasurements, consisting of actuarial gains and losses, are recognized immediately in OCI. Net interest expense on the other defined benefit obligation is recognized immediately in net earnings as part of finance expenses.

The Corporation has not established a trust nor does it hold property for the specific purpose of providing benefits to the participants of these plans. Benefits are funded by the current operations of the Corporation.

p) Short-term employee benefits

Short-term employee benefit obligations are expensed as the related service is provided.

q) Assets held-for-sale

Assets (or disposal groups comprising assets and liabilities) that are expected to be recovered primarily through sale rather than continuing use are classified as held-for-sale. Immediately before classification as held-for-sale, the assets (or components of a disposal group) are re-measured in accordance with the Corporation's accounting policies. Thereafter, generally the assets (or disposal group) are measured at the lower of the carrying amount and the fair value less costs to sell. Any impairment loss on a disposal group is first allocated to goodwill, and then to the remaining assets and liabilities on a pro-rata basis, except that no loss is allocated to inventories, employee future benefit assets, or investment property, which continue to be measured in accordance with the Corporation's accounting policies. Impairment losses on initial classification as held-for-sale and subsequent gains and losses on re-measurement are recognized in net earnings. Gains are not recognized in excess of cumulative impairment losses.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

r) Finance income and expenses

Finance income comprises sinking fund earnings, interest income on investments at fair value through profit or loss, gains on sale of investments at fair value through profit or loss, changes in fair value of financial assets at fair value through profit or loss, and interest income from defined benefit pension plans.

Finance expenses comprise interest expense on financial liabilities measured at amortized cost, changes in the fair value of financial assets at fair value through profit or loss, accretion expense on provisions less interest capitalized, interest costs on defined benefit pension plans and other defined benefit plans, and amounts amortized to net earnings from accumulated other comprehensive (loss) income. Borrowing costs that are directly attributable to the acquisition, construction, or production of a qualifying asset form part of the cost of that asset, with a corresponding decrease in financing expenses.

On the Consolidated Statement of Cash Flows, interest paid is classified as an operating activity, interest received is classified as an investing activity, dividends received are classified as an investing activity and dividends paid are classified as a financing activity.

s) Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risk and rewards of ownership to the Corporation. The Corporation has assessed its arrangements to determine whether or not leases exist. Certain take-or-pay power purchase agreements which, in management's judgement, give the Corporation the exclusive right to use specific production assets, meet the definition of a lease. These arrangements are classified as finance leases.

Assets held under finance leases are initially recognized at the lower of fair value at the inception of the lease or the present value of the minimum lease payments. The corresponding liability is recorded as a finance lease obligation. Each lease payment is allocated between the liability and interest so as to achieve a constant rate on the finance balance outstanding. The interest component is included in finance expense.

All other transactions in which the Corporation is the lessee are classified as operating leases. Payments made under operating leases are expensed over the term of the lease.

t) Discontinued operations

A discontinued operation is a component of the Corporation's business that represents a separate major line of business or geographical area of operations that has been disposed of or is held-for-sale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held-for-sale if earlier. When an operation is classified as a discontinued operation, the comparative Consolidated Statement of Comprehensive (Loss) Income is reclassified as if the operation had been discontinued from the start of the comparative year.

u) New accounting standards and interpretations not yet adopted

Certain new standards, interpretations and amendments to existing standards were issued by the International Accounting Standards Board (IASB) or International Financial Reporting Interpretations Committee (IFRIC) that are not yet effective for the year ended December 31, 2014. These include:

IFRS 4, *Insurance Contracts*

In June 2013, the IASB published a revised exposure draft (2013 ED) on the accounting for insurance contracts which was built on the previous consultations undertaken in 2007 and 2010. The 2013 ED is the result of deliberations at the IASB using comments received from constituents. The 2013 ED continues to propose a new standard on accounting for insurance contracts, which would replace IFRS 4, *Insurance Contracts*. The proposals represent a comprehensive IFRS accounting model for insurance contracts and are expected to have a significant impact on the financial reporting of insurers.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

u) New accounting standards and interpretations not yet adopted *(continued)*

IFRS 4, *Insurance Contracts* *(continued)*

A final standard is expected in 2015 with implementation not expected before 2018. The Corporation is evaluating the impact this amendment will have on the consolidated financial statements.

IFRS 9, *Financial Instruments*

IFRS 9 was issued by the IASB on November 12, 2009 and will replace IAS 39, *Financial Instruments: Recognition and Measurement*. The standards are to be applied prospectively.

IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. Under IFRS 9, financial assets will generally be measured initially at fair value plus particular transaction costs, and subsequently at either amortized cost or fair value. In October 2010, the IASB issued additions to IFRS 9 relating to accounting for financial liabilities. Under the new requirements, an entity choosing to measure a financial liability at fair value will present the portion of any change in its fair value due to changes in the entity's credit risk in other comprehensive income, rather than within net earnings. This standard is effective for annual periods beginning on or after January 1, 2018. The Corporation does not intend to early adopt this standard but is reviewing it to determine the potential impact, if any, on the consolidated financial statements.

IFRS 15, *Revenue from Contracts with Customers*

On May 28, 2014, the IASB issued IFRS 15, *Revenue from Contracts with Customers*. The new standard establishes principles to record revenues from contracts for the sale of goods or services, unless the contracts are in the scope of other IFRS standards. Under IFRS 15, revenue is recognized at an amount that reflects the expected consideration receivable in exchange for transferring goods or services to a customer, applying the following five steps:

1. Identify the contract with a customer.
2. Identify the performance obligations in the contract.
3. Determine the transaction price.
4. Allocate the transaction price to the performance obligations in the contract.
5. Recognize revenue when (or as) the entity satisfies a performance obligation.

The new standard also provides guidance relating to contract costs and for the measurement and recognition of gains and losses on the sale of certain nonfinancial assets such as property and equipment. Additional disclosures will also be required under the new standard. IFRS 15 must be adopted for annual periods beginning on or after January 1, 2017 using either a full retrospective approach for all periods presented in the period of adoption or a modified retrospective approach.

IFRS 15 will affect how the Corporation accounts for revenues and contract costs for certain operations and segments. The Corporation is in the process of assessing the impact of the adoption of the standard on the financial statements.

Annual Improvements Cycles

In 2013, the IASB issued two exposure drafts for Annual Improvement Cycles 2010-2012 and 2011-2013, which include minor amendments to a number of IFRSs. The annual improvement process is used to make necessary but non-urgent changes to IFRSs that are not included in other projects. The amendments issued are all effective for annual periods beginning July 1, 2014. The Corporation does not expect these amendments to significantly impact the consolidated financial statements.

The IASB issued an exposure draft in December 2013 for the annual improvement cycle for 2012-2014. These amendments are effective for annual periods beginning, on or after January 1, 2016. The Corporation does not expect these amendments to significantly impact the consolidated financial statements.

5. STATUS OF CIC

CIC was established by Order in Council 535/47 dated April 2, 1947, and is continued under the provisions of *The Crown Corporations Act, 1993*. CIC is an agent of Her Majesty in Right of the Province of Saskatchewan and as a provincial Crown corporation is not subject to federal and provincial income taxes. Certain associates, joint ventures, joint operations and subsidiaries are not provincial Crown corporations and are subject to federal and provincial income taxes.

6. CASH AND CASH EQUIVALENTS

(thousands of dollars)

	2014	2013
Cash	$ 67,964	$ 68,466
Short-term investments	323,640	344,117
	$ 391,604	$ 412,583

The weighted average interest rate for short-term investments included in cash and cash equivalents at December 31, 2014 was 1.11 per cent (2013 - 1.09 per cent).

7. INVESTMENTS

(thousands of dollars)

	2014	2013
Short-term investments		
Short-term investments at fair value through profit or loss	$ 145,300	$ 191,667
Loans receivable - Immigrant Investor Program (IIP) (a)	40,735	32,269
Sinking funds - at fair value through profit or loss (b)	6,540	5,982
	$ 192,575	$ 229,918
Portfolio investments - at fair value through profit or loss	$ 307,810	$ 264,466
Bonds, debentures, loans and notes receivable		
Bonds and debentures - at fair value through profit or loss	378,558	390,708
Bonds and debentures - held to maturity	53,763	53,691
Loans and notes receivable	-	4,432
Loans receivable - IIP (a)	48,100	11,524
	480,421	460,355
Leases receivable	2,395	2,952
Sinking funds - at fair value through profit or loss (b)	674,556	545,179
Other - at fair value through profit or loss	1,955	1,840
	$ 1,467,137	$ 1,274,792

a) Included in loans receivable is $15.7 million (2013 - $32.3 million) of current loans and $43.1 million (2013 - $11.5 million) of non-current loans with various builders and developers which are used to construct housing units for subsequent sale to eligible parties pursuant to the HeadStart on a Home program (Note 9(b)). Principal is repayable on demand. In the absence of a demand for principal repayment, principal is repayable upon the sale of individual units and no later than loan maturity which is defined as 16 - 18 months from the date the loan is advanced.

7. INVESTMENTS *(continued)*

Accrued interest is payable on demand. In the absence of such demand, interest is payable monthly. Interest is subject to the following terms:

i) At a fixed rate of 4.0 per cent calculated daily and payable monthly in arrears during construction;

ii) In the event of default, the borrower pays interest at a fixed rate of 4.0 per cent with interest on overdue interest at the same rate, compounded mo 'hly; and

iii) Upon demand being made, interest is payable both before and after maturity or default at the rate of the Bank of Canada prime rate plus 5.0 per cent with interest on overdue interest at the same rate, compounded monthly.

b) Changes in the carrying amount of sinking funds are as follows (thousands of dollars):

	2014	2013
Sinking funds, beginning of year	$ 551,161	$ 564,805
Net installments	50,845	8,258
Earnings	26,864	27,137
Valuation adjustment	52,226	(49,039)
Sinking funds, end of year	681,096	551,161
Less current portion	(6,540)	(5,982)
	$ 674,556	$ 545,179

Sinking fund installments due in each of the next five years are as follows (thousands of dollars):

2015	$ 60,209
2016	59,685
2017	58,822
2018	58,017
2019	57,972

c) The Corporation holds one Class B share of Cameco Corporation (Cameco) which provides the Corporation with the ability to exercise special voting rights with respect to the location of Cameco's head office.

8. FINANCIAL AND INSURANCE RISK MANAGEMENT

Financial risk management

The Corporation is exposed to market risk (power generation, natural gas sales, equity prices, sinking funds, foreign exchange rates and interest rates), credit risk and liquidity risk. The Corporation utilizes a number of financial instruments to manage market risk. The Corporation mitigates these risks through Board-approved policies, limits on use and amount of exposure, internal monitoring, and compliance reporting to senior management and the Board.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair values are estimates using present value and other valuation techniques which are significantly affected by the assumptions used concerning the amount and timing of estimated future cash flows and discount rates that reflect varying degrees of risk. Therefore, due to the use of judgement and future-oriented information, aggregate fair value amounts should not be interpreted as being realizable in an immediate settlement of the instruments.

8. FINANCIAL AND INSURANCE RISK MANAGEMENT *(continued)*

Financial risk management *(continued)*

(thousands of dollars)

Financial Instruments	Classification (i)	2014 Carrying Amount	2014 Fair Value	2013 Carrying Amount	2013 Fair Value
Financial Assets					
Cash and cash equivalents	FVTPL	$ 391,604	$ 391,604	$ 412,583	$ 412,583
Accounts receivable	LAR	818,276	818,276	745,250	745,250
Derivative financial assets	FVTPL	27,497	27,497	36,361	36,361
Restricted cash and cash equivalents	FVTPL	119,108	119,108	128,837	128,837
Investments - amortized cost	HTM	53,763	53,763	53,691	53,691
Investments - sinking funds - fair value	FVTPL	681,096	681,096	551,161	551,161
Investments - fair value	FVTPL	833,623	833,623	848,681	848,681
Investments - loans	LAR	2,395	(ii)	7,384	(ii)
Investments - loans - IIP	LAR	88,835	90,659	43,793	43,747
Financial Liabilities					
Bank indebtedness	FVTPL	15,363	15,363	14,462	14,462
Trade and other payables	OL	917,277	917,277	838,231	838,231
Derivative financial liabilities	FVTPL	202,692	202,692	102,157	102,157
Notes payable	OL	1,353,369	1,353,369	1,461,802	1,461,802
Long-term debt	OL	6,362,748	7,837,714	5,162,244	5,872,470
Finance lease obligations	OL	1,145,187	1,282,233	1,144,479	1,222,912

Derivative Instruments	Classification (i)	2014 Asset	2014 (Liability)	2013 Asset	2013 (Liability)
Physical natural gas contracts	FVTPL	$ 22,397	$ (83,028)	$ 22,580	$ (23,037)
Natural gas price swaps	FVTPL	1,498	(101,220)	8,582	(79,050)
Electricity contracts for differences	FVTPL	115	(29)	7	(70)
Physical electricity forwards	FVTPL	3,487	-	4,890	-
Foreign exchange contracts	FVTPL	-	-	302	-
Bond forward agreements	FVTPL	-	(18,415)	-	-
		$ 27,497	$ (202,692)	$ 36,361	$ (102,157)

i) Classification details are:
FVTPL - fair value through profit or loss
HTM - held-to-maturity
LAR - loans and receivables
OL - other liabilities

ii) The uncertainty and potentially broad range of fair values for Investments - loans (loans and receivables), renders the disclosure of a fair value with appropriate reliability impractical.

8. FINANCIAL AND INSURANCE RISK MANAGEMENT *(continued)*

Financial risk management *(continued)*

a) Fair value hierarchy

Fair value measurements are categorized into levels within a fair value hierarchy based on the nature of inputs used in the valuation.

Level 1 - Unadjusted quoted prices for identical assets or liabilities are readily available from an active market. The Corporation defines an active market based on the frequency of valuation and any restrictions or illiquidity on disposition of the underlying asset or liability and trading volumes.

Level 2 - Inputs, other than quoted prices included in level 1 that are observable either directly or indirectly.

Level 3 - Inputs are not based on observable market data.

As at December 31, the Corporation's financial instruments are categorized within this hierarchy as follows (thousands of dollars):

	2014			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 391,604	$ -	$ -	$ 391,604
Restricted cash and cash equivalents	119,108	-	-	119,108
Bank indebtedness	15,363	-	-	15,363
Notes payable	1,353,369	-	-	1,353,369
Investments carried at fair value through profit or loss	355,112	1,053,167	106,440	1,514,719
Investments - amortized cost	-	53,763	-	53,763
Investments - loans - IIP	-	90,659	-	90,659
Finance lease obligations	-	1,282,233	-	1,282,233
Long-term debt	-	7,837,714	-	7,837,714
Physical natural gas contracts - net	-	(60,631)	-	(60,631)
Natural gas price swaps - net	-	(99,722)	-	(99,722)
Electricity contracts for differences - net	-	86	-	86
Physical electricity forwards - net	-	3,487	-	3,487
Bond forwards - net	-	(18,415)	-	(18,415)

	2013			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 412,583	$ -	$ -	$ 412,583
Restricted cash and cash equivalents	128,837	-	-	128,837
Bank indebtedness	14,462	-	-	14,462
Notes payable	1,461,802	-	-	1,461,802
Investments carried at fair value through profit or loss	390,055	1,000,205	9,582	1,399,842
Investments - amortized cost	-	53,691	-	53,691
Investments - loans - IIP	-	43,747	-	43,747
Finance lease obligations	-	1,222,912	-	1,222,912
Long-term debt	-	5,872,470	-	5,872,470
Physical natural gas contracts - net	-	(457)	-	(457)
Natural gas price swaps - net	-	(70,468)	-	(70,468)
Electricity contracts for differences - net	-	(63)	-	(63)
Physical electricity forwards - net	-	4,890	-	4,890
Foreign exchange contracts	-	302	-	302

8. FINANCIAL AND INSURANCE RISK MANAGEMENT *(continued)*

Financial risk management *(continued)*

a) Fair value hierarchy *(continued)*

For the year ended December 31, changes in level 3 investments carried at fair value are as follows (thousands of dollars):

	2014	2013
Balance, beginning of year	$ 9,582	$ 13,941
Unrealized gains (losses) attributable to assets held at the end of the year included in impairment losses	1,073	(5,009)
Purchases	-	5,350
Sales	(111)	(4,020)
Transfers in level 3	95,756	-
Other	140	(680)
Balance, end of year	$ 106,440	$ 9,582

During the year, the Corporation transferred investments from level 2 to level 3 as the nature of the inputs used in their respective valuations was no longer based on observable market data.

Investments carried at fair value through profit or loss

i) Categorized as level 2

Investments carried at fair value through profit and loss and categorized as level 2 in the hierarchy include sinking funds, bonds, debentures, pooled mortgage investments and certain loans related to IIP as disclosed in Note 7.

The fair value of sinking funds is determined by the Saskatchewan Ministry of Finance using a market approach with information provided by investment dealers. To the extent possible, valuations reflect indicative secondary pricing for these securities. In all other circumstances, valuations are determined with reference to similar actively traded instruments.

The fair value of bonds and debentures is derived from market price data for same or similar instruments obtained from the investment custodian, investment managers or dealer markets.

The fair value of pooled mortgage investments is determined based on the market values of the underlying mortgage investments, calculated by discounting scheduled cash flows through to the estimated maturity of the mortgage, subject to adjustments for liquidity and credit risk.

The fair value of loans related to the IIP is calculated by discounting scheduled cash flows through to the estimated maturity of the loan using commercial interest rates for similar term loans.

ii) Categorized as level 3

Where evidence of a recent arm's-length transaction has occurred in the shares of an unlisted equity position held by the Corporation, the Corporation considers such a transaction to generally provide a good indication of fair value. Where a recent arm's-length transaction has not occurred, or secondary indicators exist which would question the applicability of a recent transaction, the Corporation considers alternative valuation methodologies. These methods are primarily focused on the projected earnings or cash flows of the business, discounted to present value by applying a discount rate which appropriately reflects industry and company specific risk factors.

Determining fair value for the Corporation's category 3 investments which are not publicly-traded and recorded at fair value through profit or loss requires application of professional judgement and use of estimates. Significant estimates utilized by the Corporation include the timing and amount of future cash flows, anticipated economic outlook for the investee's industry, impact of pending or potential regulation or legislation, forecast consumer tastes, emergence of substitute products, anticipated fluctuations in commodities prices, and macro-economic demand.

8. FINANCIAL AND INSURANCE RISK MANAGEMENT *(continued)*

Financial risk management *(continued)*

a) Fair value hierarchy *(continued)*

ii) Categorized as level 3 *(continued)*

Significant aspects of professional judgement include selecting an appropriate valuation approach, determining a range of appropriate risk-adjusted rates of return for a series of cash flows, and assessing the risk inherent in cash flows, the probabilities of micro-and macro-economic variables occurring, and probabilities of potentially significant company, industry, or economic factors occurring or failing to occur as the case may be.

Level 3 includes the pooled mortgage fund. The fair value for the pooled mortgage fund is determined based on the market values of the underlying mortgage investments, calculated by discounting scheduled cash flows through to the estimated maturity of the mortgages, subject to adjustments for liquidity and credit risk.

In circumstances where fair value cannot be estimated reliably, the category 3 investment is reported at the carrying value at the previous reporting date unless there is evidence that the investment has since been impaired. All recorded values of investments are reviewed at each reporting date for any indication of impairment and adjusted accordingly.

Long-term debt

The fair value of long-term debt is determined using an income approach. Fair values are estimated using the present value of future cash flows, discounted at the market rate of interest for the equivalent Province of Saskatchewan debt instruments.

Finance lease obligations

Finance lease obligations are valued using internal cash flow models based on contracted pricing in the Corporation's power purchase agreements. The contracted cash flows are discounted using the Government of Saskatchewan bond yields adjusted for a negotiated risk premium.

Derivative financial assets and liabilities

The fair value of electricity-related derivatives, physical natural gas contracts and natural gas price swaps is determined using a market approach. The Corporation obtains quoted market prices from sources such as the New York Mercantile Exchange and the Natural Gas Exchange, independent price publications and over-the-counter broker quotes. The fair value of natural gas price options is determined using an industry-standard valuation model which requires the use of various assumptions, including quoted market values, interest rates and volatility estimates for forward natural gas prices that are based on external market sources. Where contract prices are referenced to an index price that has been fixed, the market price has been used to estimate the contract price.

Bond forward agreement fair values are determined using internal discounted cash flow models that rely on Government of Canada bond yields provided by independent reference dealers. The contracted cash flows are discounted using observable yield curves.

Financial asset and liabilities legal rights to offset

Financial assets and liabilities are offset within the Consolidated Statement of Financial Position if the Corporation has the legal right to offset and intends to settle on a net basis. When natural gas contracts settle or become realized, the Corporation records the amount due to or from counterparties within accounts receivable or trade and other payables. The Corporation offsets these amounts when the counterparty and timing of settlements are the same, which reflects the Corporation's expected future cash flows from settling its natural gas contracts.

8. FINANCIAL AND INSURANCE RISK MANAGEMENT *(continued)*

Financial risk management *(continued)*

a) Fair value hierarchy *(continued)*

Financial asset and liabilities legal rights to offset *(continued)*

At year-end, the following amounts were netted within the Consolidated Statement of Financial Position (thousands of dollars):

	2014	2013
Accounts receivable		
Gross amount recognized	$ 20,536	$ 30,947
Amount offset	(12,708)	(16,820)
Net amount presented in the Consolidated Statement of Financial Position	$ 7,828	$ 14,127
Trade and other payables		
Gross amount recognized	$ 36,894	$ 40,939
Amount offset	(12,708)	(16,820)
Net amount presented in the Consolidated Statement of Financial Position	$ 24,186	$ 24,119

Other financial assets and liabilities

Other financial assets and liabilities including accounts receivable and trade and other payables have not been classified in the fair value hierarchy given that carrying value approximates fair value due to immediate or short-term maturity.

b) Unrealized gains (losses) on financial instruments

Depending on the nature of the derivative instrument and market conditions, the change in fair value of derivative financial assets and derivative financial liabilities is recorded in net earnings as either revenue or operating expenses. The impact of unrealized gains (losses) on net earnings is as follows (thousands of dollars):

	2014	2013
Revenue	$ 11,220	$ (36,909)
Finance income	(302)	302
Operating expenses	(101,901)	7,344
Decrease in net earnings	$ (90,983)	$ (29,263)

c) Market risk

The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimizing return. The Corporation manages the following market risks:

Power generation

The Corporation is exposed to natural gas price risk through natural gas purchased for its natural gas-fired power plants and through certain power purchase agreements that have a cost component based on the market price of natural gas. As at December 31, 2014, the Corporation had entered into financial and physical natural gas contracts to price manage approximately 57.0 per cent of its budgeted natural gas purchases for 2015, 49.0 per cent for 2016, 46.0 per cent for 2017, 37.0 per cent for 2018, 31.0 per cent for 2019, 25.0 per cent for 2020, 21.0 per cent for 2021, 15.0 per cent for 2022, 10.0 per cent for 2023 and 5.0 per cent for 2024.

Based on the Corporation's December 31, 2014 closing positions on its financial natural gas hedges a $1 per gigajoule (GJ) increase in the price of natural gas would have resulted in a $64.4 million improvement in the unrealized market value gains recognized in net earnings in the year.

8. FINANCIAL AND INSURANCE RISK MANAGEMENT *(continued)*

Financial risk management *(continued)*

c) Market risk *(continued)*

Power generation *(continued)*

This sensitivity analysis does not represent the underlying exposure to changes in the price of natural gas on the remaining forecasted natural gas purchases which are unhedged as of December 31, 2014.

The Corporation is exposed to electricity price risk on its electricity trading activities. Electricity trading risks are managed through limits on the size and duration of transactions and open positions, including Value at Risk (VaR) limits. VaR is the most commonly used metric employed to track and manage the market risk associated with trading positions. A VaR measure gives, for a specific confidence level, an estimated potential loss that could be incurred over a specified period of time. VaR is used to measure the potential change in value for the proprietary trading portfolio, over a ten-day period with a 95.0 per cent confidence level, resulting from normal market fluctuations. VaR is estimated using the historical variance/co-variance approach.

VaR has certain inherent limitations. The use of historical information in the estimate assumes that price movements in the past will be indicative of future market risk. As such, it may be only meaningful under normal market conditions. Extreme market events are not addressed by this risk measure. In addition, the use of a 10-day measurement period implies that positions can be unwound or hedged within that period; however, this may not be possible if the market becomes illiquid. The Corporation recognizes the limitations of VaR and actively uses other controls, including restrictions on authorized instruments, volumetric and term limits, stress-testing of individual portfolios and of the total proprietary trading portfolio, and management review.

As at December 31, 2014, the VaR associated with electricity trading activities was $0.7 million (2013 - Nil).

Natural gas sales

The Corporation purchases natural gas for resale to its customers. While natural gas is purchased at fluctuating market prices, the Corporation sells natural gas to customers at a fixed commodity rate that is reviewed semi-annually. As part of its natural gas price risk management, the Corporation uses derivative instruments to manage the price of the natural gas it buys on behalf of its customers. The Corporation's objective is to reduce the volatility of natural gas prices and to have rates that are competitive to other utilities. The Corporation also purchases and sells natural gas in the open market to generate incremental net earnings through its natural gas marketing activities.

The purchase or sale price of natural gas may be fixed within the contract or referenced to a floating index price. When the price is referenced to a floating index price, natural gas derivative instruments may be used to fix the settlement amount. The types of natural gas derivative instruments the Corporation may use for price risk management include natural gas price swaps, options, swaptions and forward contracts.

The Corporation's commodity price risk management strategy establishes specific hedging targets, which may differ depending on current market conditions, to guide natural gas risk management activities. Additionally, the Corporation uses mark-to-market value, value-at-risk and net exposure to monitor natural gas price risk.

Based on the Corporation's year-end closing positions, an increase of $1 per GJ in natural gas prices would have increased net earnings, through an increase in the fair value of natural gas derivative instruments, by $87.0 million (2013 - $35.1 million). Conversely, a decrease of $1 per GJ would have decreased net earnings, through a decrease in the fair value of natural gas derivative instruments, by $87.0 million (2013 - $35.1 million).

8. FINANCIAL AND INSURANCE RISK MANAGEMENT *(continued)*

Financial risk management *(continued)*

c) Market risk *(continued)*

Equity price risk

Equity price risk represents the potential for loss from changes in the value of equity investments.

The Corporation is exposed to changes in equity prices in Canadian, US and EAFE (Europe, Australia and Far East) markets. The fair value of these equities at December 31, 2014 was $209.8 million (2013 - $198.4 million). Individual stock holdings are diversified by geography, industry type, and corporate entity. No one investee or related group of investees represents greater than 10.0 per cent of the market value of the Corporation's common share portfolio. As well, no one holding represents more than 10.0 per cent of the voting shares of any corporation.

The Corporation's equity price risk is assessed using VaR to measure the potential change in the value of an asset class. The VaR has been calculated based on volatility over a four-year period, using a 95.0 per cent confidence level. As such, it is expected that the annual change in the portfolio market value will fall within the range outlined in the following table 95.0 per cent of the time (19 times out of 20 years).

		2014		2013
Asset Class (thousands of dollars)				
Canadian pooled equity fund and Canadian common shares	+/-	$ 22,409	+/-	$ 20,199
U.S. pooled equity fund and U.S. common shares	+/-	22,728	+/-	21,182
Non-North American pooled equity fund	+/-	13,410	+/-	15,232

Sinking funds

The Corporation has on deposit with the GRF, under the administration of the Saskatchewan Ministry of Finance, $681.1 million (2013 - $551.2 million) in sinking funds required for certain long-term debt issues. At December 31, 2014, the GRF has invested these funds primarily in Provincial and Federal government bonds with varying maturities to coincide with related debt maturities and are managed based on this maturity profile and market conditions. The Corporation may be exposed to interest rate risk on the sinking funds. Assuming all other variables remain constant at December 31, 2014, a yield curve shift of 1.0 per cent would have a $59.8 million impact on net earnings.

Interest rate risk

The Corporation may be exposed to interest rate risk arising from fluctuations in interest rates on short-term and long-term debt. Interest rate risk is managed by having an appropriate mix of fixed and floating rate debt. When deemed appropriate, the Corporation may use derivative financial instruments to manage interest rate risk. If interest rates were to change by 100 basis points this would result in an increase or decrease in net earnings of approximately $15.9 million at December 31, 2014 (2013 - $17.1 million).

The Corporation is exposed to changes in interest rates in its fixed income investments, including short-term investments, bonds, debentures, and pooled mortgage investments. It is estimated that a 100-basis-point increase or decrease in interest rates would decrease or increase net earnings by $12.1 million at December 31, 2014 (2013 - $15.3 million).

8. FINANCIAL AND INSURANCE RISK MANAGEMENT *(continued)*

Financial risk management *(continued)*

c) Market risk *(continued)*

Foreign currency risk

The Corporation is exposed to currency risk, primarily US dollars, through transactions with foreign suppliers and short-term foreign commitments. The Corporation may use a combination of derivative financial instruments to manage these exposures when deemed appropriate. However, the Corporation has no material financial contracts in place to manage foreign currency risk as of December 31, 2014. The Corporation does not believe that the impact of fluctuations in foreign exchange rates on anticipated transactions will be material and therefore has not provided a sensitivity analysis of the impact on net earnings.

d) Credit risk

Credit risk is the risk that one party to a transaction will fail to discharge an obligation and cause the other party to incur a financial loss. Concentration of credit risk relates to groups of customers or counterparties that have similar economic or industry characteristics that cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions. The Corporation does not have material concentrations of credit risk given that the majority of accounts receivable is diversified among many residential, farm and commercial customers primarily throughout Saskatchewan.

The Corporation has material concentrations of credit risk on its loans receivable which are due from builders and developers located in Saskatchewan and therefore could be similarly impacted by changes in the Saskatchewan economy. However, the loans are diversified with companies and in communities throughout Saskatchewan and therefore may not be identically impacted by changes in the overall Saskatchewan economy. Credit risk on these loans is mitigated through the Corporation holding a security interest in the units constructed using loan proceeds and the land upon which the units are constructed which are located in various communities throughout Saskatchewan.

In addition, the Corporation maintains credit policies and limits in respect to short-term investments, bonds, debentures, loans, notes receivable, leases receivable and counterparties to derivative instruments.

The carrying amount of financial assets represents the maximum credit exposure as follows (thousands of dollars):

	2014	2013
Cash and cash equivalents	$ 391,604	$ 412,583
Short-term investments	192,575	229,918
Accounts receivable	818,276	745,250
Derivative financial assets	27,497	36,361
Restricted cash and cash equivalents	119,108	128,837
Investments - amortized cost	53,763	53,691
Investments - at fair value through profit or loss	1,362,879	1,202,193
Investments - loans and receivables	50,495	18,908
	$ 3,016,197	$ 2,827,741

8. FINANCIAL AND INSURANCE RISK MANAGEMENT *(continued)*

Financial risk management *(continued)*

d) Credit risk *(continued)*

The allowance for doubtful accounts, which provides an indication of potential impairment losses, is reviewed quarterly based on an analysis of the aging of accounts receivable and an estimate of outstanding amounts that are considered to be uncollectible. Historically, the Corporation has not written off a significant portion of its accounts receivable balances.

The allowance for doubtful accounts and the aging of accounts receivable are detailed as follows (thousands of dollars):

Allowance for doubtful accounts	2014	2013
Opening balance	$ 17,985	$ 18,607
Less: Accounts written off and other	(13,294)	(18,133)
Recoveries	5,007	7,313
Provision for losses	12,645	10,198
Ending balance	$ 22,343	$ 17,985
Accounts receivable		
Current	$ 741,803	$ 645,582
30-59 days	29,598	31,994
60-89 days	33,974	59,830
Greater than 90 days	35,244	25,829
Gross accounts receivable	840,619	763,235
Allowance for doubtful accounts	(22,343)	(17,985)
Net accounts receivable	$ 818,276	$ 745,250

e) Liquidity risk

Liquidity risk is the risk that the Corporation is unable to meet its financial commitments as they become due. CIC is a provincial Crown corporation and as such has access to capital markets through the Saskatchewan Ministry of Finance. The Corporation, through its diversified holdings and capital allocation and dividend policies, can allocate resources to ensure that all financial commitments made are met.

Where necessary the Corporation can borrow funds from the GRF, adjust dividend rates, obtain or make grants, or be provided with or provide equity injections to solve any liquidity issues.

8. FINANCIAL AND INSURANCE RISK MANAGEMENT *(continued)*

Financial risk management *(continued)*

e) Liquidity risk *(continued)*

The following summarizes the contractual maturities of the Corporation's financial liabilities at December 31, 2014 (thousands of dollars):

		Contractual Cash Flows					
	Carrying Amount	Total	0-6 Months	7-12 Months	1-2 Years	3-5 Years	More than 5 Years
Long-term debt[1]	$ 6,362,748	$11,964,602	$ 104,606	$ 220,648	$ 557,586	$ 1,343,203	$ 9,738,559
Trade and other payables	917,277	917,277	917,277	-	-	-	-
Derivative financial liabilities[2]	202,692	373,365	180,030	63,918	82,285	47,130	2
Other liabilities[3]	1,851,979	1,853,619	1,546,114	72,692	67,861	99,726	67,226
	$ 9,334,696	$15,108,863	$ 2,748,027	$ 357,258	$ 707,732	$ 1,490,059	$ 9,805,787

The Corporation anticipates generating sufficient cash flows through operations or credit facilities to support these contractual cash flows.

[1] Contractual cash flows for long-term debt include principal and interest payments, but exclude sinking fund installments.
[2] The terms and conditions of certain derivative financial instrument contracts require the Corporation to provide collateral when the fair value of the obligation pursuant to these contracts is in excess of credit limits granted. As at December 31, 2014, the Corporation has provided no collateral for these contracts.
[3] Other liabilities include: bank indebtedness, notes payable, provision for unpaid insurance claims (Note 19), amounts due to reinsurers (Note 18) and premium taxes payable (Note 18).

Insurance risk management

Insurance risk arises with respect to the adequacy of the Corporation's insurance premium rates and provision for unpaid claims (consisting of underwriting and actuarial risks).

f) Underwriting risk

The Corporation manages its insurance risk though its underwriting and reinsurance strategies within an overall strategic planning process. Pricing is based on assumptions with regard to past experiences and trends. Exposures are managed by having documented underwriting limits and criteria, product margin and geographic diversification and reinsurance.

i) Diversification

The Corporation writes property, liability and motor risks over a 12-month period. The most significant risks arise from weather-related events such as severe storms. The Corporation attempts to mitigate risk by conducting business in a number of provinces across Canada and by offering different lines of insurance products.

8. FINANCIAL AND INSURANCE RISK MANAGEMENT *(continued)*

Insurance risk management *(continued)*

f) Underwriting risk *(continued)*

i) Diversification *(continued)*

The concentration of insurance risk by line of business is summarized below by reference to the provision for unpaid insurance claim liabilities (Note 19) (thousands of dollars):

	Gross		Reinsurance Recoverable		Net	
	2014	2013	2014	2013	2014	2013
Automobile	$ 212,286	$ 209,811	$ 12,928	$ 10,849	$ 199,358	$ 198,962
Property	153,809	129,016	36,781	19,735	117,028	109,281
Liability	54,683	54,720	3,404	3,441	51,279	51,279
Assumed	5,327	7,689	-	-	5,327	7,689
Discount	20,115	13,141	2,372	1,599	17,743	11,542
Other	5,364	6,376	-	-	5,364	6,376
	$ 451,584	$ 420,753	$ 55,485	$ 35,624	$ 396,099	$ 385,129

	Gross		Reinsurance Recoverable		Net	
	2014	2013	2014	2013	2014	2013
Saskatchewan	$ 258,575	$ 221,117	$ 39,966	$ 14,577	$ 218,609	$ 206,540
Ontario	125,653	122,939	11,441	13,687	114,212	109,252
Alberta	59,284	49,002	3,519	5,946	55,765	43,056
Maritimes	6,343	21,565	559	600	5,784	20,965
Manitoba	1,729	6,130	-	814	1,729	5,316
	$ 451,584	$ 420,753	$ 55,485	$ 35,624	$ 396,099	$ 385,129

The concentration of insurance risk by region and line of business is summarized below by reference to gross premiums written (thousands of dollars):

		2014				
	Note	Automobile	Personal Property	Commercial Property	Liability	Total
Saskatchewan		$ 155,675	$ 189,262	$ 47,756	$ 37,285	$ 429,978
Manitoba		-	10,526	5,126	3,085	18,737
Alberta		47,888	21,584	6,206	6,397	82,075
Ontario		42,953	6,430	5,217	3,188	57,788
Maritimes	11	45	108	70	155	378
		$ 246,561	$ 227,910	$ 64,375	$ 50,110	$ 588,956

		2013				
	Note	Automobile	Personal Property	Commercial Property	Liability	Total
Saskatchewan		$ 145,303	$ 174,699	$ 44,187	$ 35,606	$ 399,795
Manitoba		-	10,318	4,079	2,659	17,056
Alberta		36,983	13,006	4,255	4,790	59,034
Ontario		44,160	6,695	3,925	2,669	57,449
Maritimes	11	103	216	138	334	791
		$ 226,549	$ 204,934	$ 56,584	$ 46,058	$ 534,125

8. FINANCIAL AND INSURANCE RISK MANAGEMENT *(continued)*

Insurance risk management *(continued)*

f) Underwriting risk *(continued)*

ii) Reinsurance

The Corporation seeks to reduce losses that may arise from catastrophes or other events that cause unfavourable underwriting results by reinsuring certain levels of risk with other insurers. While the Corporation utilizes reinsurance, it is still exposed to reinsurance risk. Reinsurance risk is the risk of financial loss due to inadequacies in reinsurance coverage or the default of a reinsurer. The Corporation evaluates and monitors the financial condition of its reinsurers to minimize its exposure to significant losses from reinsurer insolvency. The policy of underwriting and reinsuring insurance contracts limits the liability of the Corporation to a maximum amount for any one loss as follows (thousands of dollars):

	2014	2013
Dwelling and farm property	$ 800	$ 750
Unlicenced vehicles	800	750
Commercial property	1,250	1,000
Automobile and general liability	1,500	1,500
(subject to filling an annual aggregate deductible of)	1,500	1,500
Property catastrophe (health care)	7,500	7,500
Property catastrophe (non-health care)	12,500	12,500

iii) Structured settlements

The Corporation settles some long-term disability claims by purchasing annuities from various financial institutions. The settlements legally release the Corporation from its obligations to the claimants. Consequently, neither the annuities purchased nor the claim liabilities are recognized on the Consolidated Statement of Financial Position. However, as part of the settlement, the Corporation provides a financial guarantee to the claimants in the event the life insurers default on the scheduled payments and is thus exposed to credit risk to the extent any of the life insurers fail to fulfil their obligations. As at December 31, 2014, no information has come to the Corporation's attention that would suggest any weakness or failure in the life insurers from which it has purchased annuities. The net present value of the scheduled payments is $60.6 million (2013 - $58.2 million). The net risk to the Corporation is the credit risk related to the life insurance companies that the annuities are purchased from. No defaults have occurred, and the Corporation considers the possibility of default to be remote.

g) Actuarial risk

The establishment of the provision for unpaid insurance claims (Note 19) is based on known facts and an interpretation of circumstances and is therefore a complex process influenced by a variety of factors. Measurement of the provision is uncertain due to claims that are not reported to the Corporation at year-end and therefore estimates are made as to the value of these claims. As well, uncertainty exists regarding the cost of reported claims that have not been settled, as all the necessary information may not be available at year-end.

The significant assumptions used to estimate the provision include: the Corporation's experience with similar cases, historical claim payment trends and claim development patterns, the characteristics of each class of business, claim severity and claim frequency, the effect of inflation on future claim settlement costs, court decisions and economic conditions. Time is also a critical factor in determining the provision, since the longer it takes to settle and pay a claim, the more variable the ultimate settlement amount will be. Accordingly, short-tail claims such as physical damage or collision claims tend to be more reasonably predictable than long-tail claims such as liability claims.

8. FINANCIAL AND INSURANCE RISK MANAGEMENT *(continued)*

Insurance risk management *(continued)*

g) Actuarial risk *(continued)*

As a result, the establishment of the provision for unpaid claims relies on a number of factors, which necessarily involves risk that the actual results may differ materially from the estimates.

The following summarizes the Corporation's sensitivity to changes in best estimate assumptions on the provision for unpaid claims and net earnings (thousands of dollars):

		Change to Net Provision for Unpaid Claims		Change to Net Earnings	
Assumption	Sensitivity	2014	2013	2014	2013
Discount rate	1.0 per cent	$ (9,549)	$ (9,172)	$ (2,366)	$ (5,174)
Discount rate	1.0 per cent	9,549	9,172	2,366	5,174
Net loss ratio	10.0 per cent	54,144	52,544	(54,144)	(52,544)
Misestimate	1.0 per cent deficiency	3,721	3,675	(3,721)	(3,675)

The net provision for unpaid insurance claims refers to the provision for unpaid insurance claims net of unpaid insurance claims recoverable from reinsurers. The method used for deriving this sensitivity information did not change from the prior year.

h) Securities lending program

Through its custodian, the Corporation participates in an investment securities lending program for the purpose of generating fee income. When securities are loaned, the Corporation is exposed to counterparty risk, which is the risk that the borrower will not return the loaned securities, or if the collateral is liquidated, it may be for less than the value of the loan. The Corporation mitigates this risk through non-cash collateral and a guarantee provided by its custodian. Non-cash collateral of at least 102.0 per cent of the market value of the loaned securities is retained by the Corporation until the loaned securities have been returned. The market value of the loaned securities is monitored on a daily basis with additional collateral obtained or refunded as the market value of the loaned securities fluctuates. In addition, the custodian provides indemnification against any potential losses in the securities lending program. While in the possession of counterparties, the loaned securities may be resold or re-pledged by such counterparties.

At December 31, 2014, the Corporation held collateral of $98.2 million (2013 - $149.6 million) for the loaned securities.

9. RESTRICTED CASH AND CASH EQUIVALENTS

The Corporation holds the following cash and cash equivalents restricted for use (thousands of dollars):

	2014		2013	
	Current	Non-Current	Current	Non-Current
Meadow Lake Pulp Limited Partnership (a)	$ 421	$ 4,766	$ 483	$ 4,823
Immigrant investor funds (b)	104,204	-	123,531	-
For specific capital infrastructure projects (c)	9,717	-	-	-
	$114,342	$ 4,766	$ 124,014	$ 4,823

a) Cash held by the receiver of Meadow Lake Pulp Limited Partnership which is subject to an order of the Court of Queen's Bench of Saskatchewan.

b) Immigrant investor funds are provided through the IIP. The funds are restricted for use in Saskatchewan's HeadStart on a Home program.

c) Cash held for capital projects related to water infrastructure.

10. INVENTORIES

(thousands of dollars)

	2014	2013
Raw materials	$ 204,451	$ 172,363
Natural gas in storage held-for-resale	153,385	222,880
Finished goods	13,501	12,646
Work-in-progress	3,190	4,541
	$ 374,527	$ 412,430

For the year ended December 31, 2014, $838.9 million (2013 - $679.0 million) of natural gas in storage held-for-resale, and $425.1 million (2013 - $414.1 million) of raw materials inventory and other inventory were consumed. The Corporation incurred a $2.0 million write-down (2013 - $2.6 million recovery) of other inventory to its net realizable value. There was a $14.9 million write-down (2013 - $15.6 million recovery) of natural gas in storage held-for-resale made in prior years.

As at December 31, 2014, the Corporation expects that $98.9 million (2013 - $132.5 million) of the current value of natural gas in storage held-for-resale will be sold or consumed within the next year and $54.5 million (2013 - $90.4 million) after more than one year. All other inventory is expected to be consumed within the next year.

11. DISCONTINUED OPERATIONS AND ASSETS HELD-FOR-SALE

The Corporation had previously classified several natural gas storage assets as well as distribution assets of its subsidiary, Swan Valley Gas Corporation, as held-for-sale. During the second quarter of 2014, the Corporation sold these assets resulting in a gain on sale of $3.1 million.

In March 2014, the Corporation announced that it had entered into an agreement to sell the shares of its 75 per cent owned subsidiary, the Insurance Company of Prince Edward Island (ICPEI), to a third party for a purchase price equal to ICPEI's book value as at the transaction closing date of June 30, 2014. The ICPEI operations represented a separate line of business for the Corporation in the Maritimes. Following receipt of regulatory approval, the sale closed on June 30, 2014 for total proceeds of $8.7 million representing the book value as at June 30, 2014, resulting in no gain or loss on the sale.

As part of the sale agreement, 54 months after the closing date, the purchaser shall deliver to the Corporation a report of the ultimate losses prior to June 30, 2014, certified by the purchaser's appointed actuary. If the amount of the final closing date ultimate loss is greater than the initial closing date ultimate loss, a deficiency, the Corporation shall pay to the purchaser an amount equal to the lesser of $1,500,000 or 75 per cent of the deficiency. Conversely, if the amount of the final closing date ultimate loss is less than the initial closing date ultimate loss, a surplus, the purchaser shall pay to the Corporation an amount equal to the lesser of $1,500,000 or 75 per cent of the surplus. As at December 31, 2014, a surplus of $244,000 was estimated, which has not been recorded in the consolidated financial statements.

The ICPEI operations represented a separate segment of business for the Corporation. As a result of the sale, these operations have been treated as discontinued operations.

11. DISCONTINUED OPERATIONS AND ASSETS HELD-FOR-SALE *(continued)*

Effective April 1, 2014, the Corporation entered into an agreement with a third party that resulted in the transfer of bio processing operations to that party. As part of the agreement, all processing equipment and inventory will be sold to the third party. The Corporation retained ownership of the building housing the processing facility which will be leased to the third party through a long-term lease arrangement.

At the end of 2014, the Corporation committed to a plan to sell a building located in Prince Albert within the next 12-month period. Accordingly, these assets have been classified as assets held-for-sale. These assets are measured at carrying value, which is less than fair value less cost to sell, and are no longer depreciated.

Pursuant to *The Information Services Corporation Act*, effective May 30, 2013, ISC ceased being a subsidiary Crown Corporation under *The Crown Corporations Act, 1993*, and was continued under *The Business Corporations Act*. Until July 9, 2013, CIC continued to control ISC through ownership of 100.0 per cent of the 17,500,000 outstanding Class A Limited Voting shares and therefore ISC operations have been consolidated to that date.

Effective July 9, 2013, pursuant to an Initial Public Offering (IPO) on the Toronto Stock Exchange, CIC sold 10,500,000 of the Class A Limited Voting shares of ISC at $14.00 per share. Effective July 17, 2013, pursuant to an over-allotment option included in the IPO, CIC sold a further 1,575,000 Class A Limited Voting shares of ISC at $14.00 per share. As a result of these transactions, CIC no longer controls ISC, and has initially recorded the remaining 5,425,000 Class A Limited Voting shares as an investment in equity accounted investees on the unaudited condensed Consolidated Interim Statement of Financial Position at a fair market value of $14.00 per share or $76.0 million. This investment is accounted for using the equity method of accounting. On a combined basis, these transactions resulted in the sale of 69.0 per cent of CIC's interest in ISC for net proceeds of $156.2 million and a gain on sale of $211.8 million.

Assets classified as held-for-sale are comprised of the following (thousands of dollars):

	2014	2013
Property, plant and equipment	$ 11	$ 6,362
Amounts written down on transfer	-	(1,808)
Other long-term assets	6,079	-
	$ 6,090	$ 4,554

Liabilities classified as held-for-sale are comprised of the following (thousands of dollars):

	2014	2013
Other liabilities	$ -	$ 57

11. DISCONTINUED OPERATIONS AND ASSETS HELD-FOR-SALE *(continued)*

The impact of discontinued operations on net earnings and cash flows was comprised of the following (thousands of dollars):

	2014	2013
Revenue	$ 12,929	$ 64,934
Operating expenses	14,301	32,793
Salaries, wages and short-term employee benefits	404	12,939
Employee future benefits	-	759
Depreciation and amortization	4	3,083
Research and development	-	4,346
Expenses	14,709	53,920
Results from operating activities	(1,780)	11,014
Finance income	950	1,639
Finance expenses	(159)	(144)
Net finance income	791	1,495
Net (loss) earnings from discontinued operations	(989)	12,509
Gain on sale of discontinued operations	-	211,833
(Loss) gain from discontinued operations	$ (989)	$ 224,342
Cash used in operating activities	$ (7,026)	$ (2,314)
Cash provided by (used in) investing activities	7,395	(3,708)
Cash used in financing activities	(2,296)	(14,459)
Net change in cash and cash equivalents	$ (1,927)	$ (20,481)

12. INVESTMENTS IN EQUITY ACCOUNTED INVESTEES

(thousands of dollars)

	Principal Place of Business	Reporting Date	Ownership Interest 2014	Ownership Interest 2013	Carrying Value 2014	Carrying Value 2013
Associates and joint ventures						
ISC (a)	Canada	December 31	**31.0%**	31.0%	**$ 97,170**	$ 95,829
MRM Cogeneration Station (b)	Canada	December 31	**30.0%**	30.0%	**39,795**	39,859
Other					**5,071**	8,176
					$ 142,036	$ 143,864

	2014	2013
Current assets	**$ 64,759**	$ 78,344
Non-current assets	**337,530**	365,633
Current liabilities	**(36,038)**	(63,081)
Non-current liabilities	**(63,437)**	(56,827)
Net assets	**302,814**	324,069
Interest owned by other entities	**(160,778)**	(180,205)
Share of net assets	**$ 142,036**	$ 143,864

	2014	2013
Revenue	**$ 118,778**	$ 244,680
Expenses	**(97,933)**	(145,681)
Earnings from continuing operations	**20,845**	98,999
Other comprehensive income	**10**	12
Total comprehensive income	**20,855**	99,011
Interest owned by other entities	**(14,581)**	(70,635)
Share of results	**$ 6,274**	$ 28,376

a) As described in Note 11, the Corporation is associated with ISC, which provides registry and information services in Saskatchewan. The fair value of ISC shares was $98.7 million at December 31, 2014.

b) The MRM Cogeneration Station is a 172 megawatt (MW) natural gas-fired cogeneration facility located at the Athabasca Oil Sands Project's Muskeg River Mine, north of Fort McMurray, Alberta.

13. PROPERTY, PLANT AND EQUIPMENT

(thousands of dollars)

	Machinery and Equipment	Buildings and Improvements	Plant Under Construction	Land, Coal Properties and Rights	Finance Leases	Total
Cost						
Balance at December 31, 2012	$ 13,266,547	$ 1,499,439	$ 1,036,227	$ 192,125	$ 541,954	$ 16,536,292
Additions	887,168	65,919	1,783,962	12,763	700,000	3,449,812
Disposals	(200,243)	(534)	-	(894)	-	(201,671)
Transfer to discontinued operations and assets held-for-sale	(15,301)	(8,427)	-	-	-	(23,728)
Transfers from plant under construction	-	-	(892,641)	-	-	(892,641)
Balance at December 31, 2013	13,938,171	1,556,397	1,927,548	203,994	1,241,954	18,868,064
Additions	**2,316,276**	**150,807**	**1,829,848**	**43,404**	**-**	**4,340,335**
Disposals	**(195,543)**	**(3,514)**	**(2,948)**	**(1,136)**	**-**	**(203,141)**
Impairment losses	**(18,590)**	**-**	**-**	**-**	**-**	**(18,590)**
Transfer to discontinued operations and assets held-for-sale	**(112)**	**-**	**-**	**-**	**-**	**(112)**
Transfers to investment property	**-**	**(2,132)**	**-**	**-**	**-**	**(2,132)**
Transfers from plant under construction	**-**	**-**	**(2,400,328)**	**-**	**-**	**(2,400,328)**
Balance at December 31, 2014	**$ 16,040,202**	**$ 1,701,558**	**$ 1,354,120**	**$ 246,262**	**$ 1,241,954**	**$ 20,584,096**
Accumulated Depreciation						
Balance at December 31, 2012	$ 6,612,289	$ 597,618	$ -	$ 30,937	$ 183,201	$ 7,424,045
Depreciation expense	501,330	38,304	-	1,581	42,234	583,449
Impairment losses	-	77	-	-	-	77
Other adjustments	-	-	-	324	-	324
Transfers to discontinued operations and assets held-for-sale	(7,087)	(3,291)	-	-	-	(10,378)
Disposals	(171,997)	(401)	-	(304)	-	(172,702)
Balance at December 31, 2013	6,934,535	632,307	-	32,538	225,435	7,824,815
Depreciation expense	**531,391**	**39,287**	**-**	**1,573**	**56,817**	**629,068**
Impairment losses	**1,827**	**85**	**-**	**-**	**-**	**1,912**
Transfers to discontinued operations and assets held-for-sale	**(101)**	**-**	**-**	**-**	**-**	**(101)**
Transfers to investment property	**-**	**(905)**	**-**	**-**	**-**	**(905)**
Disposals	**(164,137)**	**(1,995)**	**-**	**(59)**	**-**	**(166,191)**
Balance at December 31, 2014	**$ 7,303,515**	**$ 668,779**	**$ -**	**$ 34,052**	**$ 282,252**	**$ 8,288,598**
Carrying Amounts						
At December 31, 2013	$ 7,003,636	$ 924,090	$ 1,927,548	$ 171,456	$ 1,016,519	$ 11,043,249
At December 31, 2014	**$ 8,736,687**	**$ 1,032,779**	**$ 1,354,120**	**$ 212,210**	**$ 959,702**	**$ 12,295,498**

14. INVESTMENT PROPERTY

(thousands of dollars)

	Buildings	Infrastructure	Leasehold Improvements	Plant Under Construction	Total
Cost					
Balance at December 31, 2012	$ 177,688	$ 60,475	$ 7,535	$ 1,589	$ 247,287
Additions	2,534	1,174	762	479	4,949
Transfers	-	-	-	-	-
Disposals	(617)	(1)	(5)	-	(623)
Balance at December 31, 2013	179,605	61,648	8,292	2,068	251,613
Additions	**1,601**	**2,310**	**2,503**	**-**	**6,414**
Disposals	**(253)**	**(16)**	**-**	**-**	**(269)**
Transfers from plant under construction	**-**	**-**	**-**	**(435)**	**(435)**
Transfers to discontinued operations and assets held-for-sale	**(6,915)**	**(1,647)**	**(318)**	**-**	**(8,880)**
Transfers from property, plant and equipment	**2,132**	**-**	**-**	**-**	**2,132**
Balance at December 31, 2014	**$ 176,170**	**$ 62,295**	**$ 10,477**	**$ 1,633**	**$ 250,575**
Accumulated Depreciation and Impairment Losses					
Balance at December 31, 2012	$ 50,405	$ 14,502	$ 5,995	$ 691	$ 71,593
Depreciation expense	5,351	1,588	576	-	7,515
Disposals	(617)	(1)	(5)	-	(623)
Balance at December 31, 2013	55,139	16,089	6,566	691	78,485
Depreciation expense	**5,221**	**1,649**	**984**	**-**	**7,854**
Disposals	**(253)**	**(16)**	**-**	**-**	**(269)**
Transfers to discontinued operations and assets held-for-sale	**(2,479)**	**(126)**	**(196)**	**-**	**(2,801)**
Transfers from property, plant and equipment	**905**	**-**	**-**	**-**	**905**
Balance at December 31, 2014	**$ 58,533**	**$ 17,596**	**$ 7,354**	**$ 691**	**$ 84,174**
Carrying Amounts					
At December 31, 2013	$ 124,466	$ 45,559	$ 1,726	$ 1,377	$ 173,128
At December 31, 2014	**$ 117,637**	**$ 44,699**	**$ 3,123**	**$ 942**	**$ 166,401**

The aggregate fair value of investment properties at December 31, 2014 was $323.3 million (2013 - $332.0 million). The market value is based on internally-generated estimates of cash flows of individual properties using capitalization rates in the range of 7.0 per cent to 10.0 per cent applied based on property type and market characteristics which resulted in an overall weighted average capitalization rate of 7.2 per cent.

The market estimate is considered level 3 as the majority of inputs are not based on observable market data.

	2014	2013
Rental income from investment properties	$ 39,168	$ 40,094
Direct operating expenses from property that generated rental income during the year	(31,011)	(29,609)
	$ 8,157	$ 10,485

15. INTANGIBLE ASSETS

(thousands of dollars)

	Goodwill	Software and Development Costs	Customer Accounts	Indefinite Life (a)	Other	Total
Cost						
Balance at December 31, 2012	$ 6,457	$ 580,438	$ 67,539	$ 65,981	$ 1,500	$ 721,915
Acquisitions - internally developed	-	64,939	-	-	-	64,939
Disposals	-	(11,768)	-	-	-	(11,768)
Transfers to discontinued operations and assets held-for-sale	-	(90,076)	-	-	-	(90,076)
Transfers	-	(38,213)	-	-	-	(38,213)
Acquisitions - other	-	86,351	13,485	-	-	99,836
Balance at December 31, 2013	6,457	591,671	81,024	65,981	1,500	746,633
Acquisitions - internally developed	-	**19,327**	-	-	-	**19,327**
Disposals	**(481)**	**(23,244)**	-	-	-	**(23,725)**
Transfers	-	**(4,505)**	-	-	-	**(4,505)**
Acquisitions - other	-	**55,507**	**4,841**	**7,557**	-	**67,905**
Balance at December 31, 2014	**$ 5,976**	**$ 638,756**	**$ 85,865**	**$ 73,538**	**$ 1,500**	**$805,635**
Accumulated Amortization						
Balance at December 31, 2012	$ -	$ 348,733	$ 43,151	$ -	$ 1,500	$ 393,384
Impairment loss	481	-	-	-	-	481
Amortization expense	-	47,773	4,299	-	-	52,072
Transfers to discontinued operations and assets held-for-sale	-	(74,596)	-	-	-	(74,596)
Disposals	-	(8,529)	-	-	-	(8,529)
Balance at December 31, 2013	481	313,381	47,450	-	1,500	362,812
Impairment loss	-	**2,622**	-	-	-	**2,622**
Amortization expense	-	**64,814**	**5,381**	-	-	**70,195**
Disposals	**(481)**	**(21,179)**	-	-	-	**(21,660)**
Balance at December 31, 2014	**$ -**	**$ 359,638**	**$ 52,831**	**$ -**	**$ 1,500**	**$413,969**
Carrying Amounts						
At December 31, 2013	$ 5,976	$ 278,290	$ 33,574	$ 65,981	$ -	$ 383,821
At December 31, 2014	**$ 5,976**	**$ 279,118**	**$ 33,034**	**$ 73,538**	**$ -**	**$391,666**

a) For the purpose of impairment testing, indefinite-life intangible assets (spectrum licences) are allocated to SaskTel. This is the lowest level within the Corporation at which indefinite-life intangible assets are monitored for internal management purposes, which is not higher than the Corporation's operating segments. The Corporation's CGU impairment tests were based on fair value less costs to sell using comparable companies that are listed on exchanges and are actively traded. Share prices for these companies were used to derive an Enterprise Value (EV) to earnings before interest, taxes, depreciation, and amortization (EBITDA) ratio that was applied to the EBITDA of the unit to determine the recoverable amount. The Corporation applied an industry average EV to EBITDA ratio adjusted for minority discounts associated with publicly traded shares to the EBITDA of the unit to estimate the recoverable amount of the unit. Impairment tests indicated no impairment at December 31, 2014 or December 31, 2013.

16. OTHER ASSETS

(thousands of dollars)

	2014	2013
Deferred supply agreements	$ 1,813	$ 3,626
Deferred telecommunication connection charges	5,366	5,355
Long-term receivable - customer connections	1,692	1,832
Other deferred charges	4,462	7,537
	$ 13,333	$ 18,350

17. NOTES PAYABLE

Notes payable are due to the GRF. These notes are due on demand and have an effective interest rate of 1.00 per cent (2013 - 1.50 per cent).

18. DEFERRED REVENUE

(thousands of dollars)

	2014	2013
Unearned insurance premiums	$ 308,691	$ 291,087
Customer contributions	127,506	86,022
Services billed in advance	49,375	48,610
Premium taxes payable	24,080	21,886
Amounts due to reinsurers	7,583	9,702
Other deferred revenue	23,180	22,147
	$ 540,415	$ 479,454

19. PROVISIONS

(thousands of dollars)

	Decommissioning Provisions (a)	Environmental Remediation (b)	Unpaid Insurance Claims (c) and Note 8(f)	Other Provisions	Total
Balance at January 1, 2014	**$ 187,542**	**$ 105,933**	**$ 420,753**	**$ 1,656**	**$ 715,884**
Provision for (recovery of) decommissioning and environmental remediation liabilities	**2,535**	**(14,062)**	**-**	**-**	**(11,527)**
Other provisions made	**57,929**	**-**	**368,514**	**104**	**426,547**
Provisions used	**(9,737)**	**(2,717)**	**(317,210)**	**(234)**	**(329,898)**
Provisions reversed	**-**	**-**	**(20,473)**	**-**	**(20,473)**
Accretion expense	**6,943**	**3,088**	**-**	**110**	**10,141**
Balance at December 31, 2014	**$ 245,212**	**$ 92,242**	**$ 451,584**	**$ 1,636**	**$ 790,674**
Current	**$ -**	**$ 1,965**	**$ 216,771**	**$ 134**	**$ 218,870**
Non-current	**$ 245,212**	**$ 90,277**	**$ 234,813**	**$ 1,502**	**$ 571,804**

	Decommissioning Provisions (a)	Environmental Remediation (b)	Unpaid Insurance Claims (c) and Note 8(f)	Other Provisions	Total
Balance at January 1, 2013	$ 138,885	$ 104,866	$ 369,137	$ 2,440	$ 615,328
Provision for (recovery of) decommissioning and environmental remediation liabilities	12,339	(217)	-	-	12,122
Other provisions made	52,302	-	336,462	-	388,764
Provisions used	(3,491)	(49)	(284,846)	(561)	(288,947)
Provisions reversed	(18,276)	-	-	(370)	(18,646)
Accretion expense	5,840	1,333	-	147	7,320
Transferred to discontinued operations and assets held-for-sale	(57)	-	-	-	(57)
Balance at December 31, 2013	$ 187,542	$ 105,933	$ 420,753	$ 1,656	$ 715,884
Current	$ -	$ -	$ 194,164	$ 124	$ 194,288
Non-current	$ 187,542	$ 105,933	$ 226,589	$ 1,532	$ 521,596

a) Decommissioning provisions

The Corporation has estimated the future cost of decommissioning certain electrical and natural gas facilities. For the purposes of estimating the fair value of these obligations, it is assumed that these costs will be incurred between 2014 and 2109 for natural gas facilities and 2015 and 2043 for electrical facilities. The undiscounted cash flows required to settle the obligations total $670.8 million ($488.8 million). Risk-free rates between 1.0 per cent and 3.19 per cent were used to calculate the discounted carrying value of the obligation. During 2014, the Corporation recorded an additional $2.5 million provision ($12.3 million) for decommissioning and environmental remediation to settle this liability. No funds have been set aside by the Corporation to settle this liability.

19. PROVISIONS *(continued)*

a) Decommissioning provisions *(continued)*

The following summarizes the Corporation's sensitivity to changes in best estimate assumptions on 2014 decommissioning provisions (thousands of dollars):

	Undiscounted cash flows	Discounted cash flows	Discounted rate + 0.5%	Discounted rate - 0.5%	Inflation rate + 0.5%	Inflation rate -0.5%
Decommissioning	$ 670,835	$ 245,212	$ (31,850)	$ 38,726	$ 36,208	$ (34,832)

b) Environmental remediation

The following are included in the provision for environmental remediation:

i) The Corporation is committed to undertake necessary environmental clean-up activities on certain properties. Due to evolving environmental laws, enforcement and clean-up practices, it is not possible at this time to determine the full amount of these liabilities. Based on external studies on the site, the Corporation has recorded a total provision of $10.2 million (2013 - $10.5 million) to carry out the clean-up activities and associated costs related to an indemnity provided by Prince Albert Pulp Company (PAPCO) and the Province of Saskatchewan for environmental remediation liabilities predating 1986 related to the Prince Albert pulp mill site no longer owned by the Corporation. The timing to complete this remediation is indeterminable at this time.

ii) Based on external studies completed on the site, the Corporation has recorded a total provision of $38.9 million (2013 - $53.5 million), to carry out the clean-up activities related to an indemnity provided by PAPCO and the Province of Saskatchewan for environmental remediation liabilities predating 1986 relating to the ERCO Chemical Plant. The Corporation expects to complete $2.0 million of the remediation in 2015. The timing to complete the remaining remediation is indeterminable at this time.

iii) The Corporation has recorded a total provision of $0.3 million (2013 - $0.3 million) for estimated clean-up activities related to an obligation of Meadow Lake Pulp Limited Partnership as a result of the sale of its assets. These funds are held in trust according to court order, and are to be applied against continued site monitoring expenses through to January 2017, at which time residual amounts may be utilized to conduct a human health and ecological assessment or for specific site remediation according to the landfill closure plan.

iv) The Corporation recorded a provision of $1.2 million (2013 - recovery of $0.2 million) for environmental remediation related to estimated environmental remediation for its electrical generation assets and other properties. The total provision for these facilities at December 31, 2014 is $42.8 million (2013 - $41.6 million). The timing to complete this remediation is indeterminable at this time.

c) Unpaid insurance claims

The provision for unpaid insurance claims has been calculated including the impact of discounting using a discount rate of 1.71 per cent (2013 - 2.27 per cent).

20. FINANCE AND OPERATING LEASES

(thousands of dollars)

	2014	2013
Total future minimum lease payments	$ 3,378,615	$ 3,543,677
Less: future finance charges on finance leases	(2,233,428)	(2,399,198)
Present value of finance lease obligations	1,145,187	1,144,479
Less: current portion of finance lease obligations	(8,555)	(7,341)
Finance lease obligations	$ 1,136,632	$ 1,137,138

As at December 31, 2014, scheduled future minimum lease payments and the present value of finance lease obligations are as follows:

	1 year	1-5 years	More than 5 years
Future minimum lease payments	$ 168,475	$ 709,463	$ 2,500,677
Present value of finance lease obligations	8,555	63,297	1,073,335

Future minimum lease payments for operating leases entered into by the Corporation, as lessee, are as follows:

	1 year	1-5 years	More than 5 years
Future minimum lease payments	$ 9,622	$ 23,300	$ 13,151

21. LONG-TERM DEBT

(thousands of dollars)

	2014 Principal Outstanding	2014 Effective Interest Rate	2013 Principal Outstanding	2013 Effective Interest Rate
Years to Maturity				
A. General Revenue Fund				
1 - 5 years	$ 509,119	2.91	$ 377,619	3.69
6 - 10 years	1,096,781	8.10	982,182	8.71
11 - 15 years	386,700	6.89	228,800	7.72
16 - 20 years	669,000	6.04	829,000	5.97
21 - 25 years	648,684	5.14	648,684	5.14
26 - 30 years	1,438,000	4.02	1,438,000	4.02
Beyond 30 years	1,325,000	3.84	400,000	3.97
Total due to GRF	6,073,284		4,904,285	
B. Other long-term debt (due 2015 to 2045)	265,253	3.54	241,815	3.84
	6,338,537		5,146,100	
Unamortized debt premium	24,211		16,144	
	6,362,748		5,162,244	
Due within one year	(65,523)		(61,994)	
Total long-term debt	$ 6,297,225		$ 5,100,250	

Principal repayments due in each of the next five years are as follows:

2015	$ 65,523
2016	242,922
2017	224,766
2018	79,223
2019	119,195

There is a requirement attached to certain interest-bearing issues from the GRF to make annual payments into sinking funds in amounts representing 1.0 per cent to 3.0 per cent of the original issue. The cumulative annual payments plus interest earned are used for the retirement of debt issues, upon maturity, with the GRF on a net basis.

22. EMPLOYEE FUTURE BENEFITS

Defined benefit pension plans

The Corporation has three defined benefit pension plans for certain of its employees that have been closed to new membership. Annual audited financial statements for each plan are prepared and released publicly.

The actuarial valuations include a provision for uncommitted and ad hoc benefit increases, and are measured using management's best estimates based on assumptions that reflect the most probable set of economic circumstances and planned courses of action. The estimate, therefore, involves risks that the actual amount may differ materially from the estimate.

22. EMPLOYEE FUTURE BENEFITS *(continued)*

Defined benefit pension plans *(continued)*

The major assumptions used in the valuation of the defined benefit pension plans are as follows:

	2014		
	SaskTel	SGI	SaskPower
Economic Assumptions			
Discount rate - end of year	**3.8%**	**3.7%**	**3.8%**
Inflation rate	**2.5%**	**2.5%**	**2.0%**
Expected salary increase	**-**	**2.5%**	**-**
Duration (years)	**12**	**9**	**11**
Post-retirement index	**100% of CPI up to 2%**	**0% of CPI**	**70% of CPI**
Last actuarial valuation	**12/31/13**	**12/31/13**	**12/31/14[1]**

	2013		
	SaskTel	SGI	SaskPower
Economic Assumptions			
Discount rate - end of year	4.6%	4.3%	4.5%
Inflation rate	2.5%	2.5%	2.0%
Expected salary increase	3.0%	2.5%	2.0%
Duration	11	9	10
Post-retirement index	100% of CPI up to 2%	0% of CPI	70% of CPI
Last actuarial valuation	12/31/10	12/31/10	12/31/13[1]

The actuarial assumptions are based on management's expectations, independent actuarial advice and guidance provided by IFRS. The most significant assumption is the discount rate which is the yield at the reporting date on AA credit-rated bonds that have maturity dates approximating the terms of the obligations.

[1] The measurement date of the actuarial valuation used to determine SaskPower's defined benefit pension plan assets and obligations was September 30 and the results were extrapolated to December 31 for each year presented.

Sensitivity analysis on defined benefit pension plan assumptions

The following illustrates the impact on the 2014 defined benefit pension obligation from a 1.0 per cent change in an actuarial assumption while holding all other assumptions constant (thousands of dollars):

	SaskTel		SGI		SaskPower	
	Increase	(Decrease)	Increase	(Decrease)	Increase	(Decrease)
Discount rate	**$ (124,083)**	**$ 151,251**	**$ (2,937)**	**$ 3,477**	**$ (97,366)**	**$ 117,299**
Inflation rate	**(125,213)**	**68,212**	**-**	**-**	**(28,858)**	**30,695**
Post-retirement index	**-**	**(133,420)**	**833**	**-**	**119,863**	**(100,869)**
Mortality (1 year)	**-**	**-**	**-**	**-**	**32,351**	**(30,232)**

22. EMPLOYEE FUTURE BENEFITS *(continued)*

Defined benefit pension plans *(continued)*

Information about the Corporation's defined benefit pension plans is as follows (thousands of dollars):

	2014		
	SaskTel	SGI	SaskPower
Defined benefit pension plan obligation			
Defined benefit pension plan obligation, beginning of year	$ 1,057,701	$ 35,678	$ 893,617
Included in net earnings:			
Current service cost	379	13	-
Interest cost	47,062	1,460	38,811
	47,441	1,473	38,811
Included in OCI:			
Actuarial loss (gain) arising from:			
Financial assumptions	-	1,982	74,314
Experience adjustments	116,431	(561)	1,016
Demographic assumptions	-	172	34,573
	116,431	1,593	109,903
Benefits paid	(67,841)	(3,217)	(62,311)
Defined benefit pension plan obligation, end of year	$ 1,153,732	$ 35,527	$ 980,020

	2013		
	SaskTel	SGI	SaskPower
Defined benefit pension plan obligation			
Defined benefit pension plan obligation, beginning of year	$ 1,180,920	$ 37,719	$ 1,036,007
Included in net earnings:			
Current service cost	351	67	50
Interest cost	43,563	1,309	37,709
	43,914	1,376	37,759
Included in OCI:			
Actuarial loss (gain) arising from:			
Financial assumptions	(98,825)	(2,110)	(111,295)
Experience adjustments	-	-	(7,900)
Demographic assumptions	-	1,440	-
	(98,825)	(670)	(119,195)
Benefits paid	(68,308)	(2,747)	(60,954)
Defined benefit pension plan obligation, end of year	$ 1,057,701	$ 35,678	$ 893,617

On a combined basis, the impact of changes in actuarial gains and losses on defined benefit pension plans included in OCI is a loss of $227.9 million (2013 - $218.7 million gain) (Note 30).

On a combined basis, interest cost for defined benefit pension plans recognized in finance expenses is $87.3 million (2013 - $82.6 million) (Note 30).

22. EMPLOYEE FUTURE BENEFITS *(continued)*

Defined benefit pension plans *(continued)*

	2014		
	SaskTel	SGI	SaskPower
Defined benefit pension plan assets			
Fair value of defined benefit pension plan assets, beginning of year	**$ 983,118**	**$ 33,070**	**$ 790,596**
Included in net earnings:			
Interest income	**43,633**	**1,311**	**34,175**
Included in OCI:			
Return on plan assets excluding interest income	**59,550**	**2,512**	**37,771**
Cash impacts:			
Employee funding contributions	**-**	**5**	**-**
Employer funding contributions	**-**	**7**	**-**
Benefits paid	**(67,841)**	**(3,217)**	**(62,311)**
	(67,841)	**(3,205)**	**(62,311)**
Fair value of defined benefit pension plan assets, end of year	**$ 1,018,460**	**$ 33,688**	**$ 800,231**
Funded status - plan deficit and net defined benefit pension obligation	**$ (135,272)**	**$ (1,839)**	**$ (179,789)**

	2013		
	SaskTel	SGI	SaskPower
Defined benefit pension plan assets			
Fair value of defined benefit pension plan assets, beginning of year	$ 939,153	$ 33,536	$ 746,000
Included in net earnings:			
Interest income	33,882	1,132	26,832
Included in OCI:			
Return on plan assets excluding interest income	78,391	1,096	78,711
Cash impacts:			
Employee funding contributions	-	17	3
Employer funding contributions	-	36	4
Benefits paid	(68,308)	(2,747)	(60,954)
	(68,308)	(2,694)	(60,947)
Fair value of defined benefit pension plan assets, end of year	$ 983,118	$ 33,070	$ 790,596
Funded status - plan deficit and net defined benefit pension obligation	$ (74,583)	$ (2,608)	$ (103,021)

22. EMPLOYEE FUTURE BENEFITS *(continued)*

Defined benefit pension plans *(continued)*

On a combined basis, the return on defined benefit pension plan assets (excluding interest income) included in OCI is $99.8 million (2013 - $158.2 million) (Note 30).

On a combined basis, interest income from defined benefit pension plans included in finance income is $79.1 million (2013 - $61.8 million) (Note 30).

The asset allocation of the defined benefit pension plans are as follows:

	2014		
	SaskTel	SGI	SaskPower
Asset category			
Short-term investments	**1.1%**	**-**	**0.4%**
Bond and debentures	**36.3%**	**59.0%**	**35.2%**
Equity securities - Canadian	**14.2%**	**17.0%**	**16.2%**
Equity securities - US	**14.4%**	**13.0%**	**10.6%**
Equity securities - Non-North American	**20.5%**	**11.0%**	**26.0%**
Real estate	**13.5%**	**-**	**11.6%**

	2013		
	SaskTel	SGI	SaskPower
Asset category			
Short-term investments	0.5%	1.0%	0.3%
Bond and debentures	27.5%	58.0%	31.5%
Equity securities - Canadian	15.4%	17.0%	17.2%
Equity securities - US	16.1%	12.0%	11.1%
Equity securities - Non-North American	27.1%	12.0%	28.4%
Real estate	13.4%	-	11.5%

Other defined benefit plans

Other benefit plans include a defined benefit and a defined contribution severance plan, a supplementary superannuation plan, two defined benefit service recognition plans, a defined benefit retiring allowance plan and a voluntary early retirement plan. All other defined benefit plans are unfunded.

22. EMPLOYEE FUTURE BENEFITS *(continued)*

Other defined benefit plans *(continued)*

Information about the Corporation's other defined benefit plans is as follows (thousands of dollars):

	2014				
	SaskTel	SGI	SaskPower	SaskEnergy	SaskWater
Other defined benefit plan obligation					
Other defined benefit plan obligation, beginning of year	$ 20,986	$ 20,212	$ 49,451	$ 10,439	$ 426
Included in net earnings:					
Current service cost	-	208	7,157	37	27
Interest cost	773	763	6,738	369	19
	773	971	13,895	406	46
Included in OCI:					
Actual loss (gain) arising from:					
Financial assumptions	425	-	816	276	17
Experience adjustments	-	810	165	-	1
Demographic assumptions	-	-	89	(52)	-
	425	810	1,070	224	18
Benefits paid	(1,285)	(1,470)	(10,728)	(941)	(36)
Other defined benefit plan obligation, end of year	$ 20,899	$ 20,523	$ 53,688	$ 10,128	$ 454

	2013				
	SaskTel	SGI	SaskPower	SaskEnergy	SaskWater
Other defined benefit plan obligation					
Other defined benefit plan obligation, beginning of year	$ 21,769	$ 21,765	$ 49,114	$ 12,215	$ 418
Included in net earnings:					
Current service cost	-	241	7,071	39	27
Interest cost	720	662	4,361	358	15
	720	903	11,432	397	42
Included in OCI:					
Actual loss (gain) arising from:					
Financial assumptions	-	-	(780)	(349)	(22)
Experience adjustments	-	(367)	415	-	4
Demographic assumptions	(337)	-	-	(401)	-
	(337)	(367)	(365)	(750)	(18)
Benefits paid	(1,166)	(2,089)	(10,730)	(1,423)	(16)
Other defined benefit plan obligation, end of year	$ 20,986	$ 20,212	$ 49,451	$ 10,439	$ 426

22. EMPLOYEE FUTURE BENEFITS *(continued)*

Other defined benefit plans *(continued)*

On a combined basis, interest cost for other defined benefit plans included in finance expenses is $8.7 million (2013 - $6.1 million) (Note 30).

On a combined basis, the impact of changes in actuarial gains and losses on other defined benefit plans included in OCI is a loss of $2.5 million (2013 - $1.8 million gain) (Note 30).

The significant actuarial assumptions used in the valuation of other defined benefit plans are as follows:

	2014				
	SaskTel	SGI	SaskPower	SaskEnergy	SaskWater
Discount rate	3.2%	3.2%	3.3%	2.9%	3.6%
Inflation rate	-	2.5%	2.0%	2.5%	2.5%
Long-term rate of compensation increases	3.0%	3.5%	2.0%	3.0%	3.0%
Remaining service life (years)	8	9	7	5	12
Last actuarial valuation	12/31/13	12/31/14	12/31/14	12/31/14	12/31/14

	2013				
	SaskTel	SGI	SaskPower	SaskEnergy	SaskWater
Discount rate	3.8%	4.0%	4.0%	3.6%	4.3%
Inflation rate	-	2.5%	2.0%	2.5%	2.5%
Long-term rate of compensation increases	3.0%	3.5%	2.0%	3.0%	3.0%
Remaining service life (years)	9	9	7	6	13
Last actuarial valuation	12/31/10	12/31/10	12/31/13	12/31/13	12/31/13

The actuarial assumptions are based on management's expectations, independent actuarial advice and guidance provided by IFRS. The most significant assumption is the discount rate which is the yield at the reporting date on AA credit-rated bonds that have maturity dates approximating the terms of the obligations.

Sensitivity analysis on other defined benefit plan assumptions

The following illustrates the impact on the 2014 other defined benefit obligation from a 1.0 per cent change in an actuarial assumption while holding other assumptions constant (thousands of dollars):

	SaskTel		SGI		SaskPower		SaskEnergy		SaskWater	
	Increase	(Decrease)	Increase	(Decrease)	Increase	(Decrease)	Increase	(Decrease)	Increase	(Decrease)
Discount rate	$ (835)	$ 941	$ (995)	$ 1,136	$ (757)	$ 871	$ (399)	$ 416	$ (15)	$ 17
Long-term rate of compensation increases	938	(855)	1,122	(1,003)	865	(765)	330	(319)	17	(16)

Employee future benefit liability

The employee future benefit liability on the 2014 Consolidated Statement of Financial Position includes net liabilities incurred from the Corporation's defined benefit pension plans and other defined benefit plans. On a combined basis, at December 31, 2014, these liabilities totaled $422.6 million (2013 - $281.7 million).

22. EMPLOYEE FUTURE BENEFITS *(continued)*

Defined contribution pension plans

The Corporation also has employees who are members of defined contribution pension plans. The Corporation's financial obligation is limited to contractual contributions to the plan. On a combined basis, for the year ended December 31, 2014, the Corporation paid $57.2 million (2013 - $53.9 million) into these plans.

Employee future benefits expense

Employees future benefits expense on the Consolidated Statement of Comprehensive (Loss) Income includes contributions to the defined contribution pension plans and current service costs for the defined benefit pension plans and other defined benefit plans. On a combined basis, for the year ended December 31, 2014, employee future benefits expense totaled $65.0 million (2013 - $61.8 million).

23. OTHER LIABILITIES

(thousands of dollars)

	2014	2013
Customer contributions	$ 153,193	$ 85,081
Government grants	21,425	23,737
Other liabilities	7,712	11,725
	$ 182,330	$ 120,543

24. EQUITY ADVANCES AND CAPITAL DISCLOSURES

The Corporation does not have share capital. However, the Corporation has received advances from the GRF to form its equity capitalization. The advances are an equity investment in the Corporation by the GRF.

Due to its ownership structure, the Corporation has no access to capital markets for equity. Equity advances in the Corporation are determined by the shareholder on an annual basis. Dividends to the GRF are determined through the Saskatchewan provincial budget process on an annual basis.

The Corporation closely monitors its debt level utilizing the debt ratio as a primary indicator of financial health. The debt ratio measures the amount of debt in the Corporation's capital structure. The Corporation uses this measure in assessing the extent of financial leverage and, in turn, its financial flexibility.

Too high a ratio relative to target indicates an excessive debt burden that may impair the Corporation's ability to withstand downturns in revenues and still meet fixed payment obligations. The ratio is calculated as net debt divided by capitalization at the end of the year.

CIC reviews the debt ratio targets of all its subsidiary Crown corporations on an annual basis to ensure consistency with industry standards. This review includes subsidiary Crown corporations' plans for capital spending. The target debt ratios for subsidiary Crown corporations are approved by the CIC Board. The Corporation uses targeted debt ratios to compile a weighted average debt ratio for the CIC Crown sector. The target ratio for 2015 is 61.6 per cent.

The Corporation raises most of its capital requirements through internal operating activities and long-term debt through the GRF. This type of borrowing allows the Corporation to take advantage of the Province of Saskatchewan's strong credit rating and receive financing at attractive interest rates.

The Corporation made no changes to its approach to capital management during the year and complied with all externally imposed capital requirements.

24. EQUITY ADVANCES AND CAPITAL DISCLOSURES *(continued)*

The debt ratio is as follows (thousands of dollars):

	Note	2014	2013
Total debt (a)		$ 7,716,117	$ 6,624,046
Less: Sinking funds	7(b)	(681,096)	(551,161)
Net debt		7,035,021	6,072,885
Equity (b)		4,668,373	4,711,674
Capitalization		$11,703,394	$ 10,784,559
Debt ratio		60.1%	56.3%

a) Total debt includes long-term debt, long-term debt due within one year and notes payable.

b) Equity includes equity advances, contributed surplus and retained earnings.

25. ACCUMULATED OTHER COMPREHENSIVE (LOSS) INCOME

(thousands of dollars)

	2014	2013
Items that may be reclassified to net earnings:		
Foreign currency translation adjustments	$ 1	$ 1
Unrealized (losses) gains on cash flow hedges	(18,368)	103
Realized gains on cash flow hedges	33,076	46,748
Share of changes in comprehensive income recognized by associates	-	(3)
	14,709	46,849
Items that will not be reclassified to net earnings:		
Impact of changes in defined benefit plan actuarial assumptions	(73,443)	57,202
	$ (58,734)	$ 104,051

26. COMMITMENTS AND CONTINGENCIES

The following significant commitments and contingencies exist at December 31, 2014:

a) At 2015 prices, the Corporation has forward commitments of $1,613.8 million (2013 - $1,316.1 million) extending until 2025 for future minimum coal deliveries.

b) As at December 31, 2014, the Corporation has committed to spend $1,505.8 million (2013 - $1,620.7 million) on capital projects.

c) The Corporation has issued letters of credit in the amount of $25.9 million (2013 - $35.8 million).

d) The Corporation has entered into contracts to purchase natural gas expected to cost $704.0 million (2013 - $777.7 million) based on forward market prices until 2024. This includes fixed price forward contracts with a notional value of $668.7 million (2013 - $705.0 million) which apply for the own-use scope exception.

e) Through the Energy Performance Contracting (EPC) Program, the Corporation has guaranteed $4.4 million (2013 - $11.2 million) of energy savings to various customers. The EPC Program is a comprehensive facility improvement initiative designed to enhance the facilities of the customer while permanently reducing utility costs. These guarantees are offset by third party guarantees to the Corporation that ensure the energy savings are realized.

26. COMMITMENTS AND CONTINGENCIES *(continued)*

f) As at December 31, 2014, the Corporation has committed to electricity and natural gas trading sales of $23.9 million (2013 - $57.9 million) and electricity and natural gas trading and transmission purchases of $145.6 million (2013 - $40.4 million). These contracts are considered derivative financial instruments and changes in fair value have been included in net earnings.

g) The Corporation has entered into power purchase agreements (PPAs) that provide approximately 298 MW of generating capacity. Certain take-or-pay PPAs have been classified as finance leases. The Corporation has negotiated other PPAs which will also be classified as finance leases upon commissioning of the related generating facilities. The expected future minimum lease payments related to these PPAs is expected to be $2,581.6 million until 2042 (2013 - Nil).

h) Subject to certain conditions, the Corporation has agreed to make annual payments of $2.6 million to the Regina Exhibition Association until 2027 and $0.4 million to the Moose Jaw Exhibition Company Ltd. until 2028, as compensation for the loss of gaming income caused by the operation of Casino Regina and Casino Moose Jaw respectively.

i) The Corporation has outstanding service contract commitments of $306.2 million (2013 - $438.5 million).

j) The Corporation has committed to provide $147.0 million (2013 - $99.5 million) to builders and developers as part of the HeadStart on a Home program.

k) On August 9, 2004, a proceeding under the *Class Actions Act* (Saskatchewan) was brought against several Canadian wireless and cellular service providers, including the Corporation. The Plaintiffs seek unquantified damages from the defendant wireless communications service providers. Similar proceedings have been filed by, or on behalf of, Plaintiffs' counsel in other provincial jurisdictions. On September 17, 2007, the Saskatchewan court certified the Plaintiff's proceeding as a class action with respect to an allegation of unjust enrichment only for wireless customers during the period of April 1, 1987 and the date of the certification order being February 13, 2008. The class action period has now been extended to March 31, 2014. The matter will now proceed in the usual fashion of finalized pleadings, document and oral discovery to trial. The Corporation continues to believe that it has strong defenses to the allegations as certified in the 2004 action.

On July 24, 2009, a second proceeding under the *Class Actions Act* (Saskatchewan) was issued against several Canadian wireless and cellular service providers, including the Corporation. The Corporation believes this second claim involves substantially the same allegations as the 2004 claim that was heard before the Saskatchewan Court of Appeal in December 2010. On December 7 and 8, 2009 the Court of Queen's Bench heard motions by the Defendants, including the Corporation, that the second action commenced by the Plaintiffs in July 2009 should be permanently stayed (prevented from proceeding in any manner) as an abuse of the process of the Court, given the existence of the 2004 action. A decision by the Court of Queen's Bench on the Defendant's Abuse of process motion was issued December 23, 2009. This second action has been conditionally stayed as an abuse of process without prejudice to the plaintiff to pursue their claims in the future if circumstances change. The Corporation believes that it has strong defenses to the allegations contained in the 2009 claim.

l) On June 26, 2008, a proceeding under the *Class Actions Act* (Saskatchewan) was brought against several Canadian wireline, wireless and cellular service providers, including the Corporation. The proceeding involves allegations by wireless customers of breach of contract, misrepresentation, negligence, collusion, unjust enrichment and breach of statutory obligations concerning fees and charges paid for 9-1-1 service. The Plaintiffs seek unquantified damages from the defendant communications service providers. The Corporation believes that it has strong defenses to the claim and will be defending it. External legal counsel has been retained by the Corporation to handle this matter. A date has yet to be finalized for a hearing of a motion to determine if this claim should be certified as a class action.

26. COMMITMENTS AND CONTINGENCIES *(continued)*

In September 2011, the Corporation was served with a second 9-1-1 Class Actions claim substantially the same as the 2008 Saskatchewan action noted previously. This second claim was issued in Alberta in August 2008 but not served on the Corporation until more than three years later. The Corporation believes that it has strong defenses to the claim and will be defending it. External legal counsel has been retained. Currently, the Corporation is not aware of any further proceedings being taken in this second action beyond service of the claim.

m) In November 2011, the Corporation was served with two proposed Class Action claims, one issued in Saskatchewan and one issued in Alberta. The claims substantially overlap and name the major wireless carriers in Canada, including the Corporation, and Research in Motion as defendants. The proposed claims seek compensation related to Blackberry service issues alleged to have occurred in October 2011. The Corporation believes that it has strong defenses to the claim and will be defending it. Currently, the Corporation is not aware of any further proceedings being taken in this action beyond service of the claim.

n) On February 6, 2013, the Corporation was served with a claim out of the Supreme Court of British Columbia. The Plaintiffs seek unquantified damages from the defendant wireless communications service providers and most known wireless device manufacturers. The claim is primarily one of product liability involving allegations by wireless customers who have had cancer or other afflictions allegedly caused by cell phone use. This claim is being defended by external legal counsel retained by the Corporation's liability insurer. The Corporation believes there is no merit to the claim and will be defending it.

o) On May 29, 2013, the Corporation was served with a claim out of the Court of Queen's Bench in Alberta. This proposed class action sued all the wireless carriers that have been sued in all the other system administration fees class actions that are currently outstanding including the Corporation. The claim is over the period from 1987 to date. An application was heard September 27, 2013 to have this suit dismissed on the basis that the Alberta court does not have jurisdiction over the Corporation as we do not carry on business in Alberta. That application was dismissed. The 2013 action was, by consent, converted to a 2014 action. Applications by other defendants in the 2014 action to have the proceedings dismissed as an abuse of process were heard in November 2014 by the Alberta courts. The Corporation and all other defendants await the outcome of these applications before determining what the next steps in the action might be.

p) In June, 2014, the Corporation was served with a claim out of the Saskatchewan Court of Queen's Bench. The Plaintiff claims reimbursement for all customers who paid provincial sales tax on land line telecommunications services since April 2010, claiming that the *Provincial Sales Tax Act* does not properly authorize the application of provincial sales tax to land line telecommunications services. The Corporation believes there is no merit to the claim and the Government of Saskatchewan has agreed to carry the defence of the claim on behalf of the Corporation.

q) Included in accounts receivables is $1.8 million for insurance receivable on a cavern wellhead fire that occurred in the latter part of 2014. Total damages from this incident are estimated at about $10.6 million. The Corporation is insured for the loss of natural gas, emergency response, and surface facilities and equipment. During 2014, the Corporation received $3.3 million of insurance proceeds and an additional $1.8 million in commitments from insurers. The Corporation expects to claim for the remaining $5.6 million of costs incurred on this incident in 2015 following a detailed assessment of the incident.

r) The Corporation has various legal matters pending which, in the opinion of management, will not have a material effect on the Corporation's consolidated financial position or results of operations. Should the ultimate resolution of actions differ from management's assessments and assumptions, a material adjustment to the Corporation's financial position or results of operations could result.

27. DEPRECIATION AND AMORTIZATION

(thousands of dollars)

	Note	2014	2013
Property, plant and equipment	13	$ 629,068	$ 583,449
Intangible assets	15	70,195	52,072
Investment property	14	7,854	7,515
		$ 707,117	$ 643,036

28. IMPAIRMENT LOSSES

(thousands of dollars)

	Note	2014	2013
Impairment losses on investments		$ 7,026	$ 9,546
Impairment losses on property, plant and equipment	13	20,502	77
Impairment losses on intangible assets	15	2,622	481
		$ 30,150	$ 10,104

29. SASKATCHEWAN TAXES AND FEES

(thousands of dollars)

	2014	2013
Saskatchewan capital tax	$ 63,514	$ 59,417
Grants in lieu of taxes to municipalities	36,293	35,160
Gaming fees	24,902	20,546
Insurance premium tax	20,321	18,991
Other	3,289	3,543
	$ 148,319	$ 137,657

30. FINANCE INCOME AND EXPENSES

(thousands of dollars)

	Note	2014	2013
Recognized in consolidated net earnings			
Sinking fund earnings	7(b)	$ 26,864	$ 27,137
Gain on sale of investments at fair value through profit or loss		22,342	20,242
Change in fair value of financial assets at fair value through profit or loss		55,105	11,319
Interest income from investments at fair value through profit or loss		17,189	17,782
Amounts amortized to net earnings and included in finance income		1,421	504
Interest income from defined benefit pension plans	22	79,119	61,846
Other		22,252	18,155
Finance income		224,292	156,985
Interest expense on financial liabilities measured at amortized cost		486,921	403,578
Change in fair value of financial assets at fair value through profit or loss		1,284	46,280
Accretion expense on provisions	19	10,141	7,320
Interest cost on defined benefit pension plans	22	87,333	82,581
Interest cost on other defined benefit plans	22	8,662	6,116
Interest capitalized[1]		(71,605)	(67,507)
Other		1,941	2,435
Finance expenses		524,677	480,803
Net finance expenses		$ 300,385	$ 323,818
Recognized directly in equity			
Foreign currency translation adjustments		$ -	$ 477
Impact of changes in actuarial assumptions on defined benefit pension plans	22	(227,927)	218,690
Impact of changes in actuarial assumptions on other defined benefit pension plans	22	(2,547)	1,837
Return on pension plan assets (excluding interest income)	22	99,833	158,198
Unrealized (losses) gains on cash flow hedges		(18,471)	3,750
Realized (losses) gains on cash flow hedges		(12,251)	49,480
Amounts amortized to net earnings and included in finance income		(1,421)	(504)
Net finance (expense) income recognized directly in equity and attributable to Province of Saskatchewan		$ (162,784)	$ 431,928

[1] The weighted average interest rate used to capitalize interest was 4.50 per cent at December 31, 2014 (2013 - 5.26 per cent).

31. CONSOLIDATED STATEMENT OF CASH FLOWS

(thousands of dollars)

	Note	2014	2013
Adjustments to reconcile net earnings to cash from operating activities			
Depreciation and amortization	27	$ 707,117	$ 643,036
Share of net earnings from equity accounted investees	12	(6,274)	(28,376)
Loss (gain) from discontinued operations	11	989	(224,342)
Net gain on sale of equity accounted investees		(901)	(9,411)
Defined benefit plan current service costs	22	7,821	7,846
(Recovery of) provision for decommissioning and environmental remediation liabilities	19	(11,527)	12,122
Unrealized losses (gains) on derivative financial instruments	8(b)	90,983	29,263
Inventory write-downs (recoveries)		16,926	(12,952)
Loss on disposal of property, plant and equipment		10,829	24,780
Impairment losses	28	30,150	10,104
Net finance expenses	30	300,385	323,818
Other non-cash items		(501)	204
		$ 1,145,997	$ 776,092

32. RELATED PARTY TRANSACTIONS

Included in these consolidated financial statements are transactions with various Saskatchewan Crown corporations, ministries, agencies, boards and commissions related to the Corporation by virtue of common control by the Government of Saskatchewan and non-Crown corporations and enterprises subject to joint control and significant influence by the Government of Saskatchewan (collectively referred to as "related parties"). The Corporation has elected to take a partial exemption under IAS 24, *Related Party Disclosures* which allows government-related entities to limit the extent of disclosures about related party transactions with government or other government-related entities.

Routine operating transactions with related parties are settled at prevailing market prices under normal trade terms.

The Corporation pays Saskatchewan provincial sales tax to the Saskatchewan Ministry of Finance on all its taxable purchases. Taxes paid are recorded as part of the cost of these purchases.

Other transactions and amounts due to and from related parties and the terms of settlement are described separately in these consolidated financial statements and the notes thereto.

Key management personnel compensation

In addition to salaries, the Corporation provides non-cash benefits to key management personnel, defined as the Board of Directors of each of its subsidiaries, as well as the President and Vice-Presidents of CIC and each of its subsidiaries.

Key management personnel compensation consists of (thousands of dollars):

	2014	2013
Salaries, wages and short-term employee benefits	$ 22,875	$ 21,474
Employee future benefits	1,230	1,413
Other	43	8
	$ 24,148	$ 22,895

33. COMPARATIVE FIGURES

Certain of the 2013 comparative figures have been reclassified to conform to the current period's presentation.

ATCOGAS

CIC Separate

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ANALYSIS OF FINANCIAL RESULTS

CIC's (the Corporation) separate financial statements are used to determine CIC's capacity to pay dividends to the Province's General Revenue Fund (GRF). These separate financial statements isolate the Corporation's cash-flow, capital and operating support for certain subsidiary Crown corporations. Inclusion of these financial statements in the Annual Report of CIC enhances accountability and the transparency of CIC's operations.

This narrative on CIC's separate 2014 financial results should be read in conjunction with the audited separate financial statements. For the purposes of this narrative on CIC's separate financial results, "CIC" refers to the holding company.

COMPARISON OF 2014 RESULTS WITH 2013 RESULTS

EARNINGS

The following table presents a five-year comparison of CIC's financial results:
(millions of dollars)

	2014	2013	2012	2011	2010
Dividend revenues from subsidiary corporations	$ 173.6	$ 202.5	$ 346.4	$ 213.9	$ 276.1
Add: Finance and other revenue	3.9	3.2	4.5	5.1	4.9
Gain on sale of Information Services Corp. (ISC) shares	-	156.2	-	-	-
Grant funding from GRF	-	-	-	100.3	109.9
Less: Operating, salaries and other administrative expenses	(12.2)	(12.9)	(15.4)	(15.7)	(14.2)
Grants to subsidiary corporations	(15.6)	(18.6)	(21.5)	(136.5)	(140.7)
Total Separate Earnings	$ 149.7	$ 330.4	$ 314.0	$ 167.1	$ 236.0

Earnings for 2014 were $149.7 million (2013 - $330.4 million), a decrease of $180.7 million from 2013. The decrease in earnings is primarily due to the sale of ISC shares in 2013 which generated a gain on sale of $156.2 million and a decrease in dividend revenue from subsidiary corporations of $28.9 million. The decreases in earnings were offset by a decrease in grant funding to subsidiary corporations of $3.0 million, a decrease in operating, salaries and other administrative expenses of $0.7 million and an increase in finance and other revenue of $0.7 million.

DIVIDEND REVENUE

CIC's revenue is comprised of dividends from subsidiary Crown corporations and revenue from investments. Dividends from subsidiary Crown corporations are the primary determinant in CIC's ability to pay regular dividends to the GRF.

Revenues are influenced by weather as follows:

- Demand for electricity and natural gas increases during cold weather impacts earnings at SaskPower and SaskEnergy;
- Accident and other insurance claims at SGI are impacted by winter driving conditions and the summer storm season; and
- Water run-off levels impact SaskPower's capacity to generate hydro-electricity at a much lower cost compared to natural gas and coal generation.

DIVIDEND REVENUE *(continued)*

Dividend revenue in 2014 decreased $28.9 million to $173.6 million. A five-year history on revenue by contribution source is as follows:

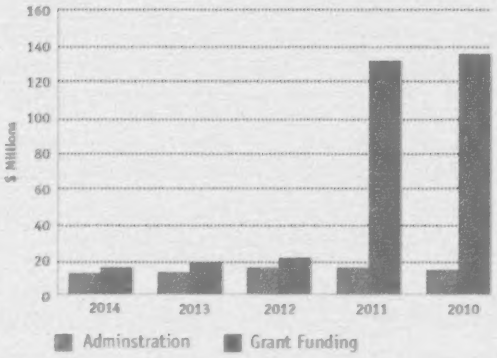
Dividend Revenue
(millions of dollars)

	2014	2013	2012	2011	2010
SaskTel	$ 53.3	$ 81.1	$ 84.3	$ 138.6	$ 139.7
CIC AMI	45.0	35.0	15.0	-	-
SGI	31.6	25.6	52.0	-	43.5
SGC	19.9	16.4	21.0	20.7	19.4
SaskEnergy	17.5	30.4	27.2	39.1	48.8
ISC	4.3	12.3	19.1	15.5	14.0
SOCO	2.0	1.7	2.8	-	9.0
SaskPower	-	-	120.0	-	-
CIC Apex Equity Holdco Ltd.	-	-	5.0	-	-
SDFC	-	-	-	-	1.7
Total Dividend Revenue	$ 173.6	$ 202.5	$ 346.4	$ 213.9	$ 276.1

- SaskTel's dividend of $53.3 million decreased by $27.8 million from its 2013 dividend of $81.1 million. The decrease in dividends was due partly to a decrease in net earnings of $14.3 million and a decrease in the dividend rate from 90.0 per cent in 2013 to 70.0 per cent in 2014 to support SaskTel's capital growth. The net earnings decrease is due in most part to increased operating expenses in support of revenue growth in wireless, *maxTV*™, data and other internet services.
- CIC AMI paid a dividend of $45.0 million, compared to $35.0 million in 2013. CIC AMI's dividend is based on cash flow availability.
- SGI paid a dividend of $31.6 million in 2014 as compared to $25.6 million in 2013. The increase in dividends is due mainly to an increased dividend rate of 77.0 per cent compared to 65.0 per cent in 2013.
- SGC's 2014 dividend of $19.9 million increased $3.5 million from $16.4 million in 2013 as a result of increased earnings from slot and table games and lower direct operating expenses.
- SaskEnergy's 2014 dividend of $17.5 million decreased $12.9 million from $30.4 million in 2013. The decrease is a result of the 2013 - 2014 winter being one of the coldest Saskatchewan has experienced in the past 30 years. The cold weather presented system and supply challenges such as increased gas prices in the market driven by a high demand for natural gas and increased transportation costs as a result of importing gas from Alberta to meet the demand of customers.
- ISC's dividend of $4.3 million decreased $8.0 million from $12.3 million in 2013. ISC ceased being a subsidiary Crown corporation on May 30, 2013. In July 2013, CIC sold 69.0 per cent of its Class A Limited Voting shares of ISC. ISC's 2014 dividend relates to dividends paid to shareholders. The 2013 dividend relates to 100 per cent ownership to July 2013 plus dividends paid on 31.0 per cent ownership from July 2013 to the end of the year.
- SOCO paid a dividend of $2.0 million in 2014 compared to $1.7 million in 2013 due to an increase in the dividend payout rate from 65.0 per cent in 2013 compared to 90.0 per cent in 2014. The increase was due to SOCO being below its targeted capital structure.
- SaskPower did not pay a dividend in 2014 due to significant investments in power infrastructure.

OPERATING, SALARIES AND BENEFITS AND GRANTS TO SUBSIDIARY CORPORATIONS

CIC's expenses are divided into two main categories: administrative and grants to subsidiary corporations. The adjacent chart shows CIC's expenses by category. Total expenses in 2014 of $27.8 million were $3.7 million lower than the 2013 total of $31.5 million.



OPERATING, SALARIES AND BENEFITS AND OTHER ADMINISTRATIVE EXPENSES

Operating, salaries and benefits and other administrative expenses decreased by $0.7 million during 2014 to $12.2 million. This decrease is primarily due to a $1.0 million investment impairment loss recorded on First Nation and Métis Fund Inc. in 2013 offset by higher operating expenses of $0.3 million in 2014.

GRANTS TO SUBSIDIARY CORPORATIONS

CIC's grant funding to subsidiary corporations of $15.6 million (2013 - $18.6 million) decreased by $3.0 million over 2013. CIC's grant funding is as follows:

- CIC provided SaskEnergy with $1.2 million (2013 - $4.1 million) as part of the Saskatchewan Energy Share program (EnerGuide for Houses).
- CIC provided grant funding to STC of $14.0 million (2013 - $14.0 million). Funding for 2014 was comprised of $10.3 million (2013 - $10.5 million) for operations and $3.7 million (2013 - $3.5 million) to meet capital requirements.
- Gradworks Inc. received $0.4 million in grants in 2014 (2013 - $0.5 million) to fund its internship program.

OPERATING, INVESTING AND FINANCING ACTIVITIES

(millions of dollars)

	2014	2013
Cash Flow Highlights		
Cash from operations	$ 178.4	$ 209.1
Cash provided by investing activities	75.7	379.7
Cash used in financing activities	(206.0)	(504.3)
Change in Cash	$ 48.1	$ 84.5

Cash from operations of $178.4 million decreased from 2013 by $30.7 million. This is primarily a result of a $28.9 million decrease in dividend revenue from Crown corporations for 2014.

In 2014, investing activities provided $75.7 million in cash (2013 - $379.7 million), a decrease of $304.0 million. The decrease in cash flows is mainly due to:

- One-time proceeds from the sale of ISC shares of $156.2 million realized in 2013; and
- Reclassifications of $30.0 million of cash between cash and cash equivalents and short-term investments compared to $178.4 million in 2013. Short-term money market investments are classified as cash and cash equivalents if the maturity of the investment is 90 days or less and classified as short-term investments if the maturity date is 91 days or more.

OPERATING, INVESTING AND FINANCING ACTIVITIES *(continued)*

Net cash used in financing activities was $206.0 million as compared to $504.3 million in 2013. In 2014, CIC declared and paid a regular dividend to the GRF of $150.0 million; additional dividends of $50.0 million to support government initiatives; and a $6.0 million dividend for the Innovation Agenda for a total transfer of $206.0 million to the GRF.

PUBLIC POLICY INITIATIVES

FIRST NATIONS AND MÉTIS FUND INC. (FNMF)

First Nations and Métis Fund Inc. was established to provide venture capital to qualifying First Nations and Métis businesses in the Province of Saskatchewan. In 2011, FNMF became responsible for the funding of the Government's First Nations Business Development Program (FNBDP).

To December 31, 2014, CIC had invested $12.6 million in FNMF to fund qualifying investments. At December 30, 2014, CIC had completed its funding requirements for FNMF and FNBDP. Any further commitment from CIC will be restricted to administration of FNMF.

SASKATCHEWAN IMMIGRANT INVESTOR FUND INC. (SIIF)

Saskatchewan Immigrant Investor Fund Inc. was established to participate in the Government of Canada's Immigrant Investor Program (IIP). The Corporation uses IIP funds to deliver the Government of Saskatchewan's HeadStart on a Home program that assists developers in building affordable housing in Saskatchewan. At December 31, 2014, SIIF had approved loans of $370.7 million in support of 2,040 new homes, of which 1,568 homes are completed or currently under construction.

The Government of Canada has announced that it will no longer accept funds into the IIP. SIIF will complete its mandate five years after the last Government of Canada IIP allocation. At this point it is unknown when the last allocation will be received from the Government of Canada.

GRADWORKS INC. (GRADWORKS)

The Gradworks internship program provides recent post-secondary graduates with internships in CIC Crown corporations, providing the graduates job opportunities and valuable work experience that may lead to permanent jobs in the Crowns, or with other Saskatchewan employers. In 2014, CIC provided grant funding of $0.4 million (2013 - $0.5 million) for the administration of Gradworks.

COMPARISON OF 2014 RESULTS WITH BUDGET

(millions of dollars)

	2014 Dividend Revenue		Budgeted Dividend
	Budget	Actual	(%) of Earnings
Dividends to CIC			
SaskTel	$ 53.3	$ 53.3	70%
CIC AMI	45.0	45.0	N/A
SaskEnergy[1]	23.6	17.5	38%
SGI	23.0	31.6	77%
SGC	20.2	19.9	80%
ISC	4.3	4.3	N/A
SOCO	2.5	2.0	90%
Total Dividend Revenue	171.9	173.6	
Grants to subsidiary corporations	(16.7)	(15.6)	
Other expenses net of income	(12.6)	(8.3)	
Separate Earnings	$ 142.6	$ 149.7	
Dividend to the GRF	$ 206.0	$ 206.0	

[1] Dividends for SaskEnergy are based on earnings from operations before the impacts of fair value adjustments (referred to as operating income).

EARNINGS

Separate earnings for 2014 of $149.7 million were $7.1 million higher than budget. The earnings exceeded budget primarily due to higher than expected dividend revenue from subsidiary corporations of $1.7 million above the budgeted amount, lower than budgeted grant funding of $1.1 million, and lower than budgeted expenditures of $4.3 million.

DIVIDEND REVENUE

Dividend revenue is directly proportionate to Crown earnings. The following outlines variances in dividends from subsidiary corporations:

- SaskTel dividends were on budget.
- CIC AMI dividends were on budget. Distributions to CIC depend on cash availability. During 2014, dividends of $45.0 million were paid to CIC.
- SaskEnergy dividends were lower than budget due to weather throughout 2014 being 9.3 per cent colder than normal resulting in additional costs from system and supply challenges.
- SGI dividends were higher than budget due mainly to strong investment returns on both equities and fixed-income investments.
- SGC dividends were below budget primarily as a result of lower than budgeted revenues from slot games and food and beverages.
- ISC dividends were on budget. ISC became a publicly-traded corporation effective May 30, 2013 and as such, declares quarterly dividends to shareholders. As at December 31, 2014, CIC holds 31.0 per cent of the Class A Limited Voting shares of ISC.
- SOCO dividends were lower than budget. During the year, SOCO had higher than budgeted vacancy rates.

GRANTS TO SUBSIDIARY CORPORATIONS

CIC's grant funding to subsidiary Crown corporations was lower than budget by $1.1 million. This decrease is primarily due to lower than budgeted grants of $1.9 million to STC for operations and to meet capital requirements. The decrease was offset by higher than budgeted grants of $0.8 million to SaskEnergy in support of the EnerGuide for Houses program.

COMPARISON OF 2014 RESULTS WITH BUDGET *(continued)*

DIVIDEND TO THE GRF

In 2014, CIC declared and paid dividends to the GRF of $206.0 million. CIC's dividends included the budgeted dividend of $150.0 million, additional dividends of $50.0 million to support government initiatives, and a special dividend of $6.0 million to support the Innovation Agenda.

OTHER EXPENSES

Other expenses net of income were $4.3 million lower than budget. The Corporation's interest income was higher than budgeted by $1.6 million due to higher than expected cash balances, and operating expenditures were $2.7 million below budget due mainly to lower salaries and short-term employee benefits combined with lower operating expenses.

ENTERPRISE RISK AND OPPORTUNITIES MANAGEMENT (EROM)

Successful execution of CIC's corporate strategy and achievement of the business plan requires an understanding of the associated risks within the environment in which the Corporation operates. The EROM program identifies potential future events and risks that could negatively affect the achievement of the Corporation's strategic goals or objectives which could result in financial loss, or an event that could damage CIC's reputation. Risks are assessed in terms of likelihood of occurrence and severity of the occurrence. The EROM process can also lead to innovation and opportunities for improvement.

The Corporation identified four main categories within our risk management framework: financial, mandate, legal compliance and reporting, and reputational. A risk may affect one or all categories. In order to understand risks associated with the Corporation, CIC risk management staff interviews all senior management. The interviews identify business risks inherent to the Corporation and establish what, if any, mitigating processes and controls exist to reduce the inherent risk.

After identification of risks and establishment of the controls and mitigating factors, risk registers are updated. The risk register ranks risks based on likelihood of occurrence and severity of the occurrence once mitigating controls or processes are taken into account. Once established, the executive and CIC Board determine its risk tolerance and can decide to accept, further mitigate, transfer, or avoid the risk. This can lead to identification of opportunities and strategies to either close gaps or to reallocate resources from areas that are considered over-mitigated.

CIC'S RISK ASSESSMENT STRATEGY

ENTERPRISE RISK AND OPPORTUNITIES MANAGEMENT (EROM) *(continued)*

RISK OVERVIEW

The Corporation ranks the ten most significant risks on its risk register. The Corporation has determined the following risks are the most significant:

1. **Information Technology Security**
   The Corporation's network contains electronic records in all areas of the Corporation's business. There is a risk that the Corporation could be targeted by threats from outside of the network, which could result in the destruction or theft of these records. The Corporation mitigates this risk through processes and controls that strengthen security on the Corporation's network and will continue to mitigate this risk through developing enhanced process and controls, and constant monitoring and testing of its information systems.

2. **Ineffective employee knowledge transfer**
   Various CIC employees are eligible for retirement or employees could leave for other opportunities, which could cause an inability to transfer knowledge and develop staff to succeed into key roles. The Corporation mitigates this risk by ensuring it is aware of its employee's ages, diversity and years to retirement, and by reviewing other policies to further mitigate this risk.

3. **Inability to attract and retain employees**
   The competitive marketplace for qualified staff may result in inability for the Corporation to attract and retain the appropriate highly skilled staff. The Corporation mitigates this risk through periodic job evaluation and market compensation analysis to ensure staff are appropriately compensated, performance management processes, and progressive human resource policies that ensure CIC is viewed as an employer of choice. The Corporation believes the mitigation is appropriate and has accepted the risk and will continue to monitor.

KEY FACTORS AFFECTING FINANCIAL PERFORMANCE

EARNINGS OF CROWN CORPORATIONS

- The key factor affecting CIC's earnings is the level of dividends from commercial subsidiary Crown corporations.
- Factors affecting the level of dividends from subsidiary Crowns include the level of profits and the application of CIC's Subsidiary Dividend Policy. The CIC Board determines dividends from a subsidiary Crown corporation after allocating cash for reinvestment in infrastructure and consideration of the financial sustainability of the subsidiary Crown.

INVESTMENT VALUES

- CIC regularly assesses the appropriateness of the carrying value for its investments, and writes down an investment if it judges the investment to have other than a temporary decline in carrying value.

LOOKING AHEAD TO 2015

CIC's key financial initiatives for 2015 include:

- Continue to provide a return to the Shareholder;
- Continue to maintain and to improve Saskatchewan's Crown corporation infrastructure to meet the needs of both residents and businesses;
- Continue support for public policy initiatives including:
  - Funding STC bus routes;
  - Funding youth initiatives such as Gradworks; and
  - Providing capital to fund specified economic initiatives;
- Deliver the Government of Saskatchewan's HeadStart on a Home program that assists builders and developers in building affordable housing in Saskatchewan;
- Continue the wind-down of CIC AMI's investments, with a primary focus on selling remaining assets in an orderly manner;
- Enhance governance and accountability through a sector-wide Enterprise Risk and Opportunities Management framework; and
- Continue to monitor new developments in financial reporting and governance, ensuring that CIC continues to be a leader in its reporting and accountability practices.

CIC'S CROWN CORPORATIONS 2015 BUDGET

(millions of dollars)

	Earnings	Dividend	Dividend % of Crown Earnings
SaskEnergy[1]	$ 77.5	$ 39.9	55%
SaskTel	76.8	30.0	39%
SGI	36.6	25.0	68%
SaskPower	82.1	-	-
SGC	25.9	20.6	80%
SaskWater	4.7	1.2	25%
SOCO	7.1	1.4	20%
SIIF	0.1	-	-
STC	0.1	-	-
CIC AMI	2.5	-	-
CIC (separate), Other, Adjustments[2]	(21.7)	4.3	-
Consolidated Earnings	**$ 291.7**	**$ 122.4**	
Dividend to the GRF	**$ 262.2**		

[1] Dividends from SaskEnergy are based on earnings from operations before the impacts of fair value adjustments (referred to as operating income).
[2] Includes dividends from CIC's interest in ISC.

SaskEnergy

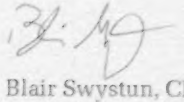
RESPONSIBILITY FOR FINANCIAL STATEMENTS

The accompanying separate financial statements have been prepared by management of Crown Investments Corporation of Saskatchewan to illustrate the financial position and results of operations and cash flows of the corporate entity only. They have been prepared, without consolidation, in accordance with the basis of accounting described in Note 2 and Note 3 to the financial statements, and consistently applied, using management's best estimates and judgements where appropriate. Management is responsible for the reliability and integrity of the separate financial statements, the notes to the separate financial statements and other information contained in this Annual Report.

The Corporation's Board of Directors is responsible for overseeing the business affairs of the Corporation and also has the responsibility for approving the separate financial statements. The Board of Directors is responsible for reviewing the annual separate financial statements and meeting with management, KPMG LLP and the Provincial Auditor of Saskatchewan on matters relating to the financial process.

Management maintains a system of internal controls to ensure the integrity of information that forms the basis of the separate financial statements. The internal controls provide reasonable assurance that transactions are executed in accordance with proper authorization, that assets are properly guarded against unauthorized use and that reliable records are maintained. The Provincial Auditor of Saskatchewan has reported to the Legislative Assembly that these controls are adequately functioning.

KPMG LLP has audited the separate financial statements. Their report to the Members of the Legislative Assembly, stating the scope of their examination and opinion on the separate financial statements, appears opposite.



Blair Swystun, CFA
Acting President & CEO

John Amundson, FCPA, FCA
Corporate Controller

March 25, 2015

INDEPENDENT AUDITORS' REPORT

To the Members of the Legislative Assembly of Saskatchewan

We have audited the accompanying separate financial statements of **Crown Investments Corporation of Saskatchewan**, which comprise the separate statement of financial position as at December 31, 2014, the separate statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information. These separate financial statements have been prepared at the request of the Legislative Assembly of Saskatchewan.

Management's Responsibility for the Separate Financial Statements
Management is responsible for the preparation and fair presentation of these separate financial statements and for such internal control as management determines is necessary to enable the preparation of separate financial statements that are free from misstatement, whether due to fraud or error.

Auditors' Responsibility
Our responsibility is to express an opinion on these separate financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require 'hat we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the separate financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the separate financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the separate financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the separate financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the separate financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the separate financial statements present fairly, in all material respects, the separate financial position of Crown Investments Corporation of Saskatchewan as at December 31, 2014, and its separate financial performance and its separate cash flows for the year then ended in accordance with the basis of accounting described in Note 2 and Note 3 to the separate financial statements.

Basis for Accounting and Restriction on Use
Without modifying our opinion, we draw attention to Note 2 and Note 3 to the separate financial statements which describes the basis of accounting. The separate financial statements are prepared for the purpose of tabling with the Legislative Assembly of Saskatchewan. As a result, the separate financial statements may not be suitable for another purpose. Our report is intended solely for the Legislative Assembly of Saskatchewan and Crown Investments Corporation of Saskatchewan and should not be used by parties other than the Legislative Assembly of Saskatchewan and Crown Investments Corporation of Saskatchewan.

KPMG LLP

Chartered Accountants
March 25, 2015
Regina, Saskatchewan

SEPARATE STATEMENT OF FINANCIAL POSITION

As at December 31

(thousands of dollars)

	Note	2014	2013
ASSETS			
Current			
Cash and cash equivalents	5	$ 306,466	$ 258,356
Short-term investments	6	-	30,000
Interest and accounts receivable		824	818
Dividends receivable		19,309	51,828
		326,599	341,002
Equity advances to Crown corporations	7	1,188,918	1,194,918
Investments in share capital corporations	8	10,964	46,837
Equipment	9	224	314
		$ 1,526,705	$ 1,583,071
LIABILITIES AND PROVINCE'S EQUITY			
Current			
Interest and accounts payable		$ 2,686	$ 2,783
Province of Saskatchewan's Equity			
Equity advances	10	908,889	908,889
Retained earnings		615,130	671,399
		1,524,019	1,580,288
		$ 1,526,705	$ 1,583,071
Commitments and contingencies	11		

(See accompanying notes)

On behalf of the Board:

Director

Director

SEPARATE STATEMENT OF COMPREHENSIVE INCOME

For the Year Ended December 31

(thousands of dollars)

	Note	2014	2013
INCOME FROM OPERATIONS			
Dividend revenue	12	$ 173,619	$ 202,550
Gain on sale of Information Services Corporation (ISC) shares	13	-	156,199
Other income		129	94
		173,748	358,843
EXPENSES			
Operating		6,055	4,774
Salaries and short-term employee benefits		5,617	6,565
Employee future benefits		414	473
Impairment loss	8(b)	-	1,000
Depreciation and amortization		98	119
		12,184	12,931
EARNINGS FROM OPERATIONS		161,564	345,912
Finance income	14	3,806	3,129
Finance expenses	14	(9)	(9)
NET FINANCE INCOME		3,797	3,120
EARNINGS BEFORE PUBLIC POLICY INITIATIVES		165,361	349,032
Grants to subsidiary corporations	15	(15,630)	(18,574)
NET EARNINGS		149,731	330,458
OTHER COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO THE PROVINCE OF SASKATCHEWAN		$ 149,731	$ 330,458

(See accompanying notes)

SEPARATE STATEMENT OF CHANGES IN EQUITY

For the Year Ended December 31

(thousands of dollars)

	Note	2014	2013
RETAINED EARNINGS			
Retained earnings - beginning of year		$ 671,399	$ 702,320
Total comprehensive income		149,731	330,458
Dividends to General Revenue Fund (GRF)	10	(206,000)	(361,379)
Retained earnings - end of year		615,130	671,399
EQUITY ADVANCES			
Equity advances - beginning of year		908,889	1,051,839
Equity advances repaid to GRF	10	-	(142,950)
Equity advances - end of year		908,889	908,889
EQUITY ATTRIBUTABLE TO THE PROVINCE OF SASKATCHEWAN		$ 1,524,019	$ 1,580,288

(See accompanying notes)

SEPARATE STATEMENT OF CASH FLOWS

For the Year Ended December 31

(thousands of dollars)

	Note	2014	2013
OPERATING ACTIVITIES			
Net earnings		$ 149,731	$ 330,458
Adjustments to reconcile net earnings to cash from operating activities:			
Gain on sale of ISC shares		-	(156,199)
Amortization of discounts and premiums		-	123
Depreciation and amortization		98	119
Impairment loss	8(b)	-	1,000
Net finance income		(3,797)	(3,120)
		146,032	172,381
Net change in non-cash working capital balances related to operations	16	32,416	36,725
Interest paid		(9)	(9)
Net cash from operating activities		178,439	209,097
INVESTING ACTIVITIES			
Proceeds from sale of ISC shares	13	-	156,199
Interest received		3,806	3,129
Purchase of investments		(267)	(3,750)
Decrease in short-term investments		30,000	178,452
Proceeds from retraction of equity advances	7	6,000	-
Purchase of equipment		(8)	(46)
Repayment of due from CIC Economic Holdco Ltd.		1,140	768
Proceeds from retraction of CIC Asset Management Inc. shares	8(a)	35,000	45,000
Net cash from investing activities		75,671	379,752
FINANCING ACTIVITIES			
Equity advances repaid to GRF	10	-	(142,950)
Dividend paid to GRF	10	(206,000)	(361,379)
Net cash used in financing activities		(206,000)	(504,329)
NET CHANGE IN CASH AND CASH EQUIVALENTS DURING YEAR		48,110	84,520
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR		258,356	173,836
CASH AND CASH EQUIVALENTS, END OF YEAR		$ 306,466	$ 258,356

(See accompanying notes)

1. GENERAL INFORMATION

Crown Investments Corporation of Saskatchewan (CIC) is a corporation domiciled in Canada. The address of CIC's registered office and principal place of business is 400 - 2400 College Avenue, Regina, SK, S4P 1C8. CIC was established to act as a holding corporation for the Province's commercial Crown sector. CIC develops broad corporate policy, directs investments for its subsidiaries and provides dividends to the Province's General Revenue Fund (GRF). A list of CIC's subsidiaries with principal activities is contained in Note 4.

2. BASIS OF PREPARATION

a) Statement of compliance

The separate financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). The separate financial statements were authorized for issue by the Board of Directors on March 25, 2015.

b) Basis of measurement

The separate financial statements have been prepared on the historical cost basis except for financial assets at fair value through profit or loss.

c) Functional and presentation currency

These separate financial statements are presented in Canadian dollars, which is CIC's functional currency.

d) Use of estimates

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future years affected.

Significant items subject to estimates and assumptions include the carrying amounts of investments (Notes 7 and 8).

e) Use of judgements

The preparation of financial statements in conformity with IFRS requires management to make judgements that affect the application of accounting policies. Significant items subject to judgement include the accounting policies listed in Note 3.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all years presented in these separate financial statements.

CIC's separate financial statements do not consolidate the activities of its subsidiaries. Other than this exception, the accounting policies have been consistently applied by CIC's subsidiary corporations.

CIC prepares audited consolidated financial statements in accordance with IFRS 10, *Consolidated Financial Statements*. The audited consolidated financial statements have been authorized by the CIC Board of Directors on March 25, 2015. CIC's audited consolidated financial statements should be referenced for further information.

a) Cash and cash equivalents

Cash and cash equivalents includes the cash held within CIC's bank accounts and short-term investments that have a maturity date of ninety days or less.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

b) Equity advances to Crown corporations

Crown corporations do not have share capital. However, seven Crown corporations have received equity advances from CIC to form their equity capitalization. The equity advances are accounted for at cost and dividends from these corporations are recognized as income when declared.

c) Investments in share capital corporations

Investments in shares of corporations are accounted for at cost. Dividends from these investments are recognized as income when declared.

d) Impairment of equity in Crown corporations and share capital corporations

Investments in Crown corporations and share capital corporations are assessed at each reporting date to determine whether there is objective evidence that the investment is impaired. An investment is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the investment, and that the loss event had a negative effect on the estimated future cash flows of that investment that can be estimated reliably. An impairment loss is recognized through earnings if the carrying amount of the investment exceeds its recoverable amount.

If, in a subsequent year, the fair value of an impaired investment increases and the increase can be related objectively to an event occurring after the impairment loss was recognized in net earnings, then the impairment loss is reversed, with the amount of the reversal recognized through net earnings.

e) Equipment

Equipment is recorded at cost less accumulated depreciation and any accumulated impairment losses. When these assets are disposed of or retired, the related costs less accumulated depreciation and any accumulated impairment losses are eliminated from the accounts. Any resulting gains or losses are reflected in the Separate Statement of Comprehensive Income.

Equipment is depreciated using the following methods:

Computer equipment	3 years straight-line
Furniture and equipment	20 per cent declining balance

f) Financial instruments

i) Non-derivative financial assets

CIC initially recognizes loans and receivables and deposits at fair value on the date that they originated. All other financial assets, including assets designated at fair value through profit or loss, are recognized initially at fair value on the trade date at which CIC becomes a party to the contractual provisions of the instrument.

CIC de-recognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows of the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by CIC is recognized as a separate financial asset or liability.

CIC does not net financial assets or liabilities for presentation in the Separate Statement of Financial Position.

CIC non-derivative financial assets include financial assets at fair value through profit or loss and loans and receivables.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

f) Financial instruments *(continued)*

i) Non-derivative financial assets *(continued)*

Financial assets at fair value through profit or loss

A financial asset is classified at fair value through profit or loss if it is classified as held-for-trading or is designated as such upon initial recognition. Financial assets are designated at fair value through profit or loss if CIC manages such investments and makes purchase and sale decisions based on their fair value in accordance with CIC's documented risk strategy. Upon initial recognition, transaction costs attributable are recognized in net earnings as incurred. Cash and cash equivalents and short-term investments are measured at fair value through profit and loss, and changes therein are recognized through net earnings.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

Loans and receivables are comprised of interest and accounts receivable and dividends receivable.

ii) Non-derivative financial liabilities

CIC initially recognizes financial liabilities on the date they originate. All other financial liabilities, including liabilities designated at fair value through profit or loss, are recognized initially on the trade date at which CIC becomes a party to the contractual provisions of the instrument.

CIC de-recognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

CIC does not net financial assets or liabilities for presentation in the Separate Statement of Financial Position.

CIC's non-derivative financial liabilities include interest and accounts payable.

Such financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method.

iii) Embedded derivatives

Derivatives may be embedded in other host instruments and are treated as separate derivatives when their economic characteristics and risks are not clearly and closely related to those of the host instrument, when the embedded derivative has the same terms as those of a stand-alone derivative, and the combined contract is not measured at fair value through profit or loss. These embedded derivatives are measured at fair value with subsequent changes recognized in net earnings.

CIC had no contracts with embedded derivatives as at December 31, 2013 and December 31, 2014.

g) Equity advances

CIC periodically receives funding from the Government of Saskatchewan through the GRF. Funding can be provided for one of two purposes, the funding of government policy initiatives for which no return is expected or required, or for long-term investment which is expected to provide a return to the GRF. Funding provided for government policy initiatives is recorded as revenue in the year spending occurs. Funding provided for long-term investment is recorded as an equity advance (Note 10).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

h) Revenue recognition

CIC's revenue is derived from the ownership of its subsidiary corporations. Dividend revenue from subsidiary corporations is recorded as income in the Separate Statement of Comprehensive Income when declared. Dividends received are classified as operating activities in accordance with IAS 7, *Statement of Cash Flows*.

i) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

j) Employee future benefits

Defined contribution plan

CIC is a member of Capital Pension Plan (CPP), a defined contribution pension plan. A defined contribution plan is a post-employment benefit under which CIC pays fixed contributions to CPP and has no legal or constructive obligation to pay further amounts. Obligations for contributions to CPP are recognized as an employee future benefit expense in the Separate Statement of Comprehensive Income in the year during which services are rendered by employees.

k) Finance income and expenses

Finance income is comprised of interest income from short-term investment holdings. Interest income is recognized as it accrues in the Separate Statement of Comprehensive Income, using the effective interest method. On the Separate Statement of Cash Flows interest income is recorded as an investing activity. Finance expenses are comprised of bank and service charges. On the Separate Statement of Cash Flows interest expense is recorded as an operating activity.

4. STATUS OF CROWN INVESTMENTS CORPORATION OF SASKATCHEWAN

CIC was established by Order in Council 535/47 dated April 2, 1947, and is continued under the provisions of *The Crown Corporations Act, 1993* (the Act). CIC is an agent of Her Majesty in Right of the Province of Saskatchewan and as a provincial Crown corporation is not subject to federal and provincial income taxes. Certain jointly controlled enterprises and subsidiaries are not provincial Crown corporations and are subject to federal and provincial income taxes.

The Act assigns specific financial and other responsibilities to CIC regarding Crown corporations designated or created as subsidiary Crown corporations of CIC under the Act. The following wholly-owned Crown corporations have been designated or created by Order in Council:

Wholly-owned subsidiaries domiciled in Canada	**Principal Activity**
SaskEnergy Incorporated (SaskEnergy)	Natural gas storage and delivery
Saskatchewan Gaming Corporation (SGC)	Entertainment
Saskatchewan Government Insurance (SGI)	Property and casualty insurance
Saskatchewan Opportunities Corporation (SOCO)	Research parks
Saskatchewan Power Corporation (SaskPower)	Electricity
Saskatchewan Telecommunications Holding Corporation and Saskatchewan Telecommunications (collectively SaskTel)	Telecommunications
Saskatchewan Transportation Company (STC)	Passenger and freight transportation
Saskatchewan Water Corporation (SaskWater)	Water and waste water management

In addition to the above Crown corporations, CIC is the sole member of Gradworks Inc., a wholly-owned non-profit subsidiary and the sole shareholder of the following wholly-owned share capital subsidiaries: CIC Asset Management Inc. (CIC AMI); First Nations and Métis Fund Inc. (FNMF); Saskatchewan Immigrant Investor Fund Inc. (SIIF); and CIC Economic Holdco Ltd., all of which are domiciled in Canada.

5. CASH AND CASH EQUIVALENTS

Included in cash and cash equivalents are $281.1 million (2013 - $246.0 million) of short-term investments with an effective interest rate of 1.12 per cent (2013 - 1.11 per cent).

6. SHORT-TERM INVESTMENTS

Included in short-term investments are Nil (2013 - $30.0 million) of investments maturing between 91 and 365 days with an effective interest rate of Nil per cent (2013 - 1.08 per cent).

7. EQUITY ADVANCES TO CROWN CORPORATIONS

Equity advances to Crown corporations are as follows:
(thousands of dollars)

	2014	2013
Saskatchewan Power Corporation	$ 660,000	$ 660,000
Saskatchewan Telecommunications Holding Corporation	250,000	250,000
Saskatchewan Opportunities Corporation (a)	118,687	120,687
Saskatchewan Government Insurance	80,000	80,000
SaskEnergy Incorporated	71,531	71,531
Saskatchewan Water Corporation	8,700	8,700
Saskatchewan Gaming Corporation (b)	-	4,000
	$ 1,188,918	$ 1,194,918

a) During 2014, CIC retracted $2.0 million (2013 - Nil) in equity advances from Saskatchewan Opportunities Corporation.

b) During 2014, CIC retracted $4.0 million (2013 - Nil) in equity advances from Saskatchewan Gaming Corporation.

8. INVESTMENTS IN SHARE CAPITAL CORPORATIONS

(thousands of dollars)

	Voting Percentage	2014	2013
CIC Asset Management Inc. (a):			
1 (2013 - 3,499,983) common share(s)	100%	$ -	$ 35,000
First Nations and Métis Fund Inc. (b):			
100 (2013 - 100) Class A common shares	100%	-	-
Due from FNMF		12,617	12,350
Impairment in value of FNMF		(3,000)	(3,000)
		9,617	9,350
CIC Economic Holdco Ltd. (c):			
100 (2013 - 100) Class A common shares	100%	-	-
Due from CIC Economic Holdco Ltd.		1,347	2,487
		1,347	2,487
Saskatchewan Immigrant Investor Fund Inc. (d):			
1 (2013 - 1) Class A common share	100%	-	-
Information Services Corporation (e):			
5,425,000 (2013 - 5,425,000) Class A Limited Voting shares	31%	-	-
		$ 10,964	$ 46,837

a) CIC AMI was established on November 14, 1979 under *The Business Corporations Act (Saskatchewan)*. CIC AMI provides equity and loans to organizations that have significant operations in Saskatchewan. During 2014, CIC retracted 3,499,982 common shares of CIC AMI at their stated value of $10 per share for total proceeds of $35.0 million.

b) FNMF was established on May 9, 2006 to provide venture capital to qualifying First Nations and Métis businesses in Saskatchewan. Due to losses accumulated from investments made by FNMF, CIC has recorded a $3.0 million (2013 - $3.0 million) provision against amounts due from FNMF, which reflects CIC's current expectations of recovery of these amounts.

c) CIC, through its wholly-owned subsidiary, CIC Economic Holdco Ltd., entered into a joint venture agreement with Saskatchewan Entrepreneurial Fund Joint Venture (SEFJV). The SEFJV was established on April 24, 2006 to operate as an institutional investment fund focusing primarily on investment in Saskatchewan and the creation of employment and economic growth and expansion of the small business sector in Saskatchewan. CIC Economic Holdco Ltd. holds a 45.5 per cent (2013 - 45.5 per cent) joint venture interest in SEFJV.

At December 31, 2014, CIC Economic Holdco Ltd. had total assets of $1.4 million (2013 - $2.7 million) and recorded a loss of $0.1 million (2013 - $0.2 million earnings). CIC has invested $1.3 million (2013 - $2.5 million) in capital in SEFJV through CIC Economic Holdco Ltd.

d) SIIF was established on October 6, 2010 under *The Business Corporations Act (Saskatchewan)*. SIIF was established to participate in the Government of Canada's Immigrant Investor Program (IIP). SIIF uses the IIP funds to deliver the Government of Saskatchewan's HeadStart on a Home program that assists builders and developers in building affordable housing.

8. INVESTMENTS IN SHARE CAPITAL CORPORATIONS *(continued)*

e) Pursuant to *The Information Services Corporation Act*, effective May 30, 2013, ISC ceased being a subsidiary Crown Corporation under *The Crown Corporations Act, 1993*, and was continued under *The Business Corporations Act (Saskatchewan)*. Until July 9, 2013, CIC held 100.0 per cent of the 17,500,000 outstanding Class A Limited Voting shares of ISC.

During July 2013, CIC sold 12,075,000 of the Class A Limited Voting shares of ISC (Note 13). The Corporation owns 5,425,000 Class A Limited Voting shares representing a 31.0 per cent ownership interest of ISC. At December 31, 2014 the fair value of these shares was $98.7 million (2013 - $93.6 million).

9. EQUIPMENT

(thousands of dollars)

	2014	2013
Cost		
Balance at January 1	$ 1,871	$ 1,825
Additions	8	46
Disposals	-	-
Balance at December 31	1,879	1,871
Accumulated depreciation		
Balance at January 1	1,557	1,438
Depreciation	98	119
Disposals	-	-
Balance at December 31	1,655	1,557
	$ 224	$ 314

10. EQUITY ADVANCES AND CAPITAL DISCLOSURES

CIC does not have share capital. However, CIC has received advances from the GRF to form its equity capitalization. The advances are an equity investment in CIC by the GRF. During 2014, CIC repaid Nil (2013 - $143.0 million) in equity advances to the GRF. Equity advances from the GRF have been invested in subsidiary Crown corporations. CIC, as a holding corporation for the Saskatchewan commercial Crown sector, does not carry any debt.

CIC's ability to pay regular dividends to the GRF depends mainly on the level of Crown corporation dividends to CIC, less CIC's operating costs. These costs include support to non-dividend paying Crown corporations and public policy expenditures. Crown corporation dividend levels depend on their net earnings and capital structure. In addition to cash constraints, CIC's ability to declare dividends to the GRF depends on its retained earnings. CIC's earnings and hence, dividend capacity outlook, are sensitive to adverse developments in its operating expenditures and Crown corporation earnings.

For the year ending December 31, 2014, CIC declared and paid $206.0 million (2013 - $361.4 million) in dividends to the GRF.

11. COMMITMENTS AND CONTINGENCIES

The following significant commitments and contingencies exist at December 31, 2014:

a) CIC, as plan sponsor of Capital Pension Plan, has guaranteed the annuities for the Retirement Annuity Fund portion of the Capital Pension Plan. CIC does not expect any exposure under this guarantee in 2015.

12. DIVIDEND REVENUE

(thousands of dollars)

	2014	2013
Saskatchewan Telecommunications Holding Corporation	$ 53,292	$ 81,095
CIC Asset Management Inc.	45,000	35,000
SaskEnergy Incorporated	17,447	30,443
Saskatchewan Government Insurance	31,639	25,592
Saskatchewan Gaming Corporation	19,922	16,437
Information Services Corporation	4,340	12,307
Saskatchewan Opportunities Corporation	1,979	1,676
	$ 173,619	$ 202,550

13. SALE OF ISC SHARES

Pursuant to *The Information Services Corporation Act*, effective May 30, 2013, ISC ceased being a subsidiary Crown Corporation under *The Crown Corporations Act, 1993*, and was continued under *The Business Corporations Act (Saskatchewan)*. Until July 9, 2013, CIC held 100.0 per cent of the 17,500,000 outstanding Class A Limited Voting Shares of ISC.

Effective July 9, 2013 and pursuant to an Initial Public Offering (IPO) on the Toronto Stock Exchange, CIC sold 10,500,000 of the Class A Limited Voting shares of ISC at $14.00 per share. Effective July 17, 2013, and pursuant to an over-allotment option included in the IPO, CIC sold a further 1,575,000 Class A Limited Voting shares at $14.00 per share. On a combined basis, these transactions resulted in the sale of 69.0 per cent of CIC's interest in ISC for net proceeds and resulting gain on sale of $156.2 million.

14. FINANCE INCOME AND EXPENSES

(thousands of dollars)

	2014	2013
Interest income from short-term investment holdings	$ 3,806	$ 3,129
Bank and service charges	(9)	(9)
	$ 3,797	$ 3,120

15. GRANTS TO SUBSIDIARY CORPORATIONS

(thousands of dollars)

	2014	2013
Saskatchewan Transportation Company	$ 14,050	$ 14,000
SaskEnergy Incorporated	1,201	4,049
Gradworks Inc.	379	525
	$ 15,630	$ 18,574

16. NET CHANGE IN NON-CASH WORKING CAPITAL BALANCES RELATED TO OPERATIONS

(thousands of dollars)

	2014	2013
(Increase) decrease in interest and accounts receivable	$ (6)	$ 849
Decrease in dividends receivable	32,519	35,936
Decrease in interest and accounts payable	(97)	(60)
	$ 32,416	$ 36,725

17. FINANCIAL INSTRUMENTS

a) Market risk

Interest rate price risk reflects the risk that CIC's earnings will fluctuate due to changes in interest rates. CIC's cash and cash equivalents and short-term investments are held in short-term money market instruments and will therefore adjust to fluctuations in the interest rate environment. CIC does not believe that the impact of fluctuations in interest rates will be significant and therefore has not provided a sensitivity analysis of the impact on net earnings.

Cash and cash equivalents and short-term investments are measured at fair value based on an active market.

b) Credit risk

Credit risk is the risk that one party to a transaction will fail to discharge an obligation and cause the other party to incur a financial loss. Concentration of credit risk relates to groups of customers or counterparties that have similar economic or industry characteristics that cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions. CIC's interest and accounts receivable consist mostly of interest due on money market investments. CIC has recorded no allowance on its interest and accounts receivable balance. Dividends receivable are due from CIC's subsidiaries within 90 days of year end. CIC has recorded no allowances on its dividends receivable.

c) Liquidity risk

Liquidity risk is the risk that CIC is unable to meet its financial commitments as they become due. CIC is a Saskatchewan Provincial Crown corporation and as such has access to capital markets through the Saskatchewan Ministry of Finance. All interest and accounts payable are current and due within six months of year end. Currently, CIC has sufficient resources to discharge all liabilities.

18. RELATED PARTY TRANSACTIONS

Included in these separate financial statements are transactions with various Saskatchewan Crown corporations, ministries, agencies, boards and commissions related to CIC by virtue of common control by the Government of Saskatchewan and non-Crown corporations and enterprises subject to joint control and significant influence by the Government of Saskatchewan (collectively referred to as "related parties"). CIC has elected to take a partial exemption under IAS 24 - *Related Party Disclosures* which allows government-related entities to limit the extent of disclosures about related party transactions with government and other government-related entities.

Routine operating transactions with related parties are settled at prevailing market prices under normal trade terms.

In addition, CIC pays Saskatchewan provincial sales tax to the Saskatchewan Ministry of Finance on all its taxable purchases. Taxes paid are recorded as part of the cost of those purchases.

CIC provides management services to CIC Asset Management Inc., First Nations and Métis Fund Inc., Gradworks Inc., Saskatchewan Immigrant Investor Fund Inc., and CIC Economic Holdco Ltd. without charge.

These separate financial statements and the notes thereto separately describe other transactions and amounts due to and from related parties and the terms of settlement.

18. RELATED PARTY TRANSACTIONS *(continued)*

Key management personnel compensation

In addition to salaries, CIC also provides non-cash benefits to the President and Vice-Presidents and contributes to a post-employment defined contribution plan on their behalf. A retirement allowance is provided to executive officers and accumulates at a rate of 1.92 per cent of their respective gross salary per year.

Key management personnel compensation is comprised of:
(thousands of dollars)

	2014	2013
Salaries and short-term employee benefits	$ 1,072	$ 1,278
Employee future benefits	75	94
Other	7	8
	$ 1,154	$ 1,380

19. PENSION PLAN

CIC's employees participate in the Capital Pension Plan (the Plan), a defined contribution pension plan which is administered by CIC. CIC's contributions to the Plan include making regular payments into the Plan to match the required amounts contributed by employees for current service. The total amount paid to the Plan to December 31, 2014 was $414.3 thousand (2013 - $472.6 thousand). Included in the Plan is a Retirement Annuity Fund (the Fund). The Fund provides retirement annuities at the option of retiring members of the Plan. An actuarial valuation of the Fund is performed annually. The assets of the Fund at December 31, 2014 exceed the actuarially determined net present value of retirement annuities payable.

Glossary of Terms

ACCUMULATED OTHER COMPREHENSIVE INCOME
Comprises the accumulated balance of all components of other comprehensive income, being revenues, expenses, gains and losses that, in accordance with primary sources of International Financial Reporting Standards, are recognized in comprehensive income, but excluded from net earnings.

CAPITAL RESOURCES
The funds that have been invested in and loaned to the corporation to allow it to carry out its operations and investment activities. A corporation's capital consists of its debt and equity.

CAPITAL STRUCTURE
The relative percentage or weighting of debt compared to equity for a corporation. The ideal capital structure for a corporation is usually specific to its industry and depends on factors such as the level of capital assets required to maintain operations, the cost of borrowing, the risk associated with the industry, and shareholder expectations.

CASH FLOW RETURN ON EQUITY
A measure of profitability used to evaluate the Province's investment in CIC. It is based on the cash return (e.g. dividend) provided to the owner and is calculated as dividends paid to the GRF divided by the Province's equity.

COMPREHENSIVE (LOSS) INCOME
The change in equity (net assets) of an enterprise during a period from transactions and other events and circumstances from non-owner sources. It includes all changes in equity during a period except those resulting from investments by owners and distributions to owners.

DEBT RATIO
Measures the per cent of debt in the overall capital structure of an organization and is used to evaluate its financial flexibility. It is calculated as total debt from ongoing operations (long-term debt plus long-term debt due within one year plus notes payable) less sinking funds divided by the Corporation's capital (debt plus equity).

DERIVATIVE
A contract or security that obtains its value from price movements in a related or underlying security, future or other instrument or index.

DIVIDEND CAPACITY
The financial ability that a firm has to pay dividends. Dividend capacity is determined by identifying cash sources from operations, analyzing reinvestment needs and the target capital structure, and then determining surplus cash.

DIVIDEND PAYOUT RATE
The percentage of earnings that has been paid out as dividends.

EBITDA
Earnings before interest, taxes, depreciation and amortization.

Glossary of Terms

FORWARD CONTRACT
A contractual commitment to buy or sell a specified currency at a specific price and date in the future.

GENERAL REVENUE FUND (GRF)
The GRF is a special purpose fund that the Government uses to pay for most of the programs it provides. It is the Government of Saskatchewan's central accounting entity where all public monies are deposited to and disbursed from, as authorized by the Legislative Assembly.

MINIMUM CAPITAL TEST (MCT)
The minimum capital test is a capital adequacy test widely used in the insurance industry and indicates capital available to pay claims compared to capital required.

OPTION
A contract that grants the right, but not the obligation, to buy or sell a commodity or financial instrument at a specified price at a point in time during a defined period.

OTHER COMPREHENSIVE (LOSS) INCOME
Comprises revenue, expenses, gains and losses that, in accordance with primary sources of International Financial Reporting Standards, are recognized in comprehensive income, but excluded from net income.

PERFORMANCE MANAGEMENT PLANS
Plans that are developed by each Crown corporation detailing key strategic priorities, measures and targets for a given year. They are also referred to as business plans, and typically include the corporation's budget for the year.

RETURN ON EQUITY
A measure of profitability that relates a company's earnings to the investment by its owners. It is calculated as net earnings divided by the average shareholder's equity.

SIGNIFICANT TRANSACTION
Significant transactions are those judged by a Crown corporation to be sensitive and likely of interest to legislators and the public; or where the transaction is both material and outside the ordinary course of business and involves:

- the acquisition of a major investment or asset, or the assumption of a major liability;
- a change in the terms and conditions governing an existing investment or asset; or
- the divestment of a major asset or investment.

SINKING FUND
An account held for the specific purpose of paying down an existing debt instrument (e.g. loan) that has a maturity date in the future. Money is placed in the fund over the period which the debt is held, and then used to pay off the debt at its maturity. Sinking funds are recorded as investments for financial reporting purposes.

SWAP
A contractual agreement to exchange a stream of periodic payments with a counterparty.

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